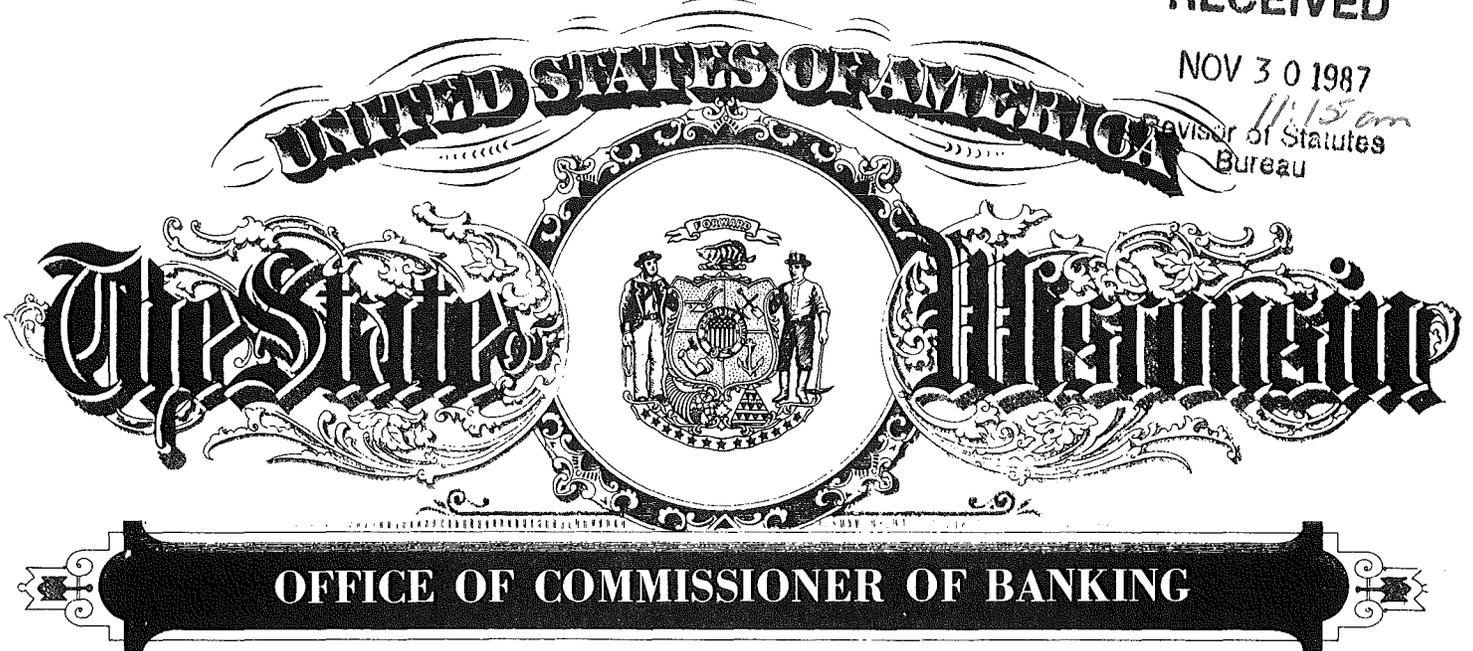


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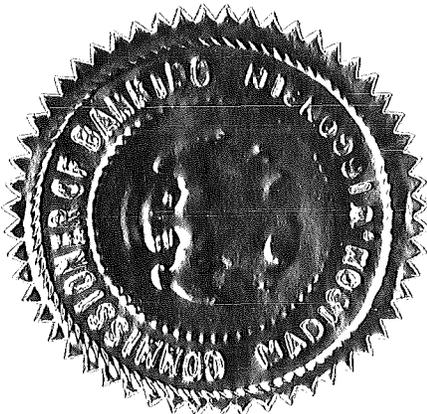


TO ALL WHOM THESE PRESENTS SHALL COME, GREETINGS:

I, Richard E. Galecki, Commissioner of Banking and custodian of the official records of said office, do hereby certify that the annexed rule relating to the purchase of shares of investment companies by commercial banks was duly approved and adopted by this office on the 30th of November, 1987.

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 30th day of November, A.D. 1987.





 Richard E. Galecki
 Commissioner of Banking

PROPOSED ORDER OF THE OFFICE OF COMMISSIONER OF BANKING
ADOPTING, AMENDING OR REPEALING RULES

To repeal and recreate Bkg 3.06; relating to the purchase of shares of investment companies by commercial banks.

Final Draft Form

Analysis Prepared by the Office of Commissioner of Banking.

1. Under s. 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 presently allows banks to invest in money market funds. As recreated Bkg 3.06 is expanded to provide that commercial banks in Wisconsin may invest on a limited basis in the shares of investment companies, an activity which the Comptroller has authorized for national banks. See Banking Circular BC-220, November 21, 1986.

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. While the state and federal methods of calculating an investment limitation are different, the results are equivalent. The calculation by the Comptroller of the Currency uses 10% of common stock, preferred stock, 50% of the loan loss reserve, subordinate notes and debentures, surplus and undivided profits as factors. The calculation by the Office of Commissioner of Banking uses 20% of common stock and surplus as factors. However, to the

extent that a rule issued under s. 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 investment companies. The portfolio of the investment company must consist entirely of obligations which would be authorized investments of a bank if purchased directly. The shares must represent an equitable, proportionate undivided interest in the underlying assets of the investment company. The bank must be shielded from personal liability for acts or obligations of the fund.

Pursuant to the authority vested in the Commissioner of Banking and the Banking Review Board by ss. 220.02(2), 220.04(8), and 227.11(2)(a), Stats., the Commissioner of Banking and the Banking Review Board hereby repeals and recreates rules interpreting s. 221.04(1), Stats., as follows:

SECTION 1. Bkg 3.06 is repealed and recreated to read:

BKG 3.06 PURCHASE OF SHARES OF INVESTMENT COMPANIES (1) AUTHORITY. A bank may purchase for its own account shares of investment companies registered with the Securities and Exchange Commission or a privately offered fund sponsored by an affiliated commercial bank if the investment company shares meet the following requirements:

(a) The bank has an equitable and equal proportionate undivided interest in the underlying assets of the investment company,

(b) The bank is shielded from personal liability for acts or obligations of the investment company, and

(c) The portfolio of each fund consists solely of investment securities which are eligible for purchase by banks pursuant to Ch. 219, ss. 220.04(6)(d), 221.04(1)(f), 221.29(1)(d) and (2), Stats., and Bkg 4.01.

(2) GOVERNMENT SECURITIES. Banks may purchase and hold investment company 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.

(3) MUNICIPAL SECURITIES. Shares of investment companies whose portfolios contain investments which are subject to limitation under s. 221.29(2), Stats., may be held in an amount not to exceed 25% of the capital and surplus of the bank. In addition, a bank's pro rata share of any security held in the portfolio of one or more investment companies whose shares are held by the bank may not, in aggregate or in combination with the bank's direct holdings of the security, exceed the limitations of s. 221.29(2), Stats.

(4) OTHER SECURITIES. Shares of investment companies whose portfolios contain investments other than government securities or municipal securities, may be held in an amount not to exceed 20% of the capital stock and surplus of the bank. In addition, a bank's pro rata share of any security held in the portfolio of one or more investment company whose shares are held by the bank may not, in aggregate or in combination with the

bank's direct holdings of the security, exceed the investment limitations for the security as provided for in s. 221.29, Bkg 4.01, Bkg 6.01, Bkg 6.03 and other relevant statutes and regulations.

(5) FUTURES, FORWARDS, OPTIONS, REPURCHASE AGREEMENTS AND SECURITIES LENDING. Certain investment companies use futures, forward placement and options contracts as well as repurchase agreements and securities lending arrangements as part of their portfolio management strategy. A bank may purchase and hold the shares of such investment companies if these instruments are used in a manner that would be considered acceptable for use in a bank's own investment portfolio.

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

(7) ACCOUNTING. The bank shall follow the instructions approved by the office of commissioner of banking for use by the banks for the preparation of reports of condition and income to account for investments made in shares of investment companies.

(8) APPROVAL OF BOARD OF DIRECTORS. The bank's investment policy, as formally approved by its board of directors, shall specifically provide for investments made under this section. Prior approval of the board must be obtained for initial investments in specific investment companies and recorded in the board's minutes. Procedures, standards and controls for implementation of such investments must be established.

The rules and repeals contained in this proposed order shall take effect as provided in s. 227.22(2) (intro.), Stats.

FISCAL ESTIMATE
AD-MBA-23 (Rev. 10/86)

LRB or Bill No./Adm. Rule No.

- ORIGINAL
- UPDATED
- CORRECTED
- SUPPLEMENTAL

Amendment No. if Applicable

Subject
Purchase of Shares of Investment Companies

Fiscal Effect

State: No State Fiscal Effect

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

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

- Increase Costs - May Be Possible to Absorb Within Agency's Budget Yes No
- 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 _____

Fund Sources Affected

- GPR FED PRO PRS SEG SEG-S

Affected Ch. 20 Appropriations

Assumptions Used in Arriving at Fiscal Estimate

This rule has no fiscal effect on local units of government.

This rule has no anticipated state fiscal effect during the current biennium or any long range fiscal implications.

Long-Range Fiscal Implications

Agency/Prepared by: (Name & Phone No.)

Jennifer McKenzie (608)266-1621

Authorized Signature/Telephony No.

Date

5/19/87

ADMINISTRATIVE RULE QUESTIONNAIRE

CHAIRPERSON

Joint Committee for Review of Administrative Rules
 State Capitol
 Madison, Wisconsin 53702

Date of Submittal 11-30-87 Effective Date of Rule _____
 Chapter: Bkg 3.06 Title: Purchase of Shares of Investment Companies by Commercial
 Initiating Agency Commissioner of Banking Banks.
 Name and Title of individual having primary responsibility for Administrative
 Rule: Richard E. Galecki, Commissioner

Names of panel or committee members who participated in drafting rule:

- | | |
|-----------|-----------|
| (1) _____ | (5) _____ |
| (2) _____ | (6) _____ |
| (3) _____ | (7) _____ |
| (4) _____ | (8) _____ |

Were you contacted by any Lobbyists wishing to influence the rule?

Name		Method		
		Phone	Mail <input checked="" type="checkbox"/>	In Person
(1) John Knight	Representing Wis. Bankers		<input checked="" type="checkbox"/>	
(2) Michael Vaughn			<input checked="" type="checkbox"/>	
(3)				
(4)				

Were you contacted by any non-Lobbyist wishing to influence the rule?

Name	Title	Agency, Organization, Profession
(1) Steve Ward		Smith Barney
(2) David Costello		Colonial Investors Service
(3)		
(4)		

Were you ever contacted by a State Legislator or State employee, acting in the capacity as an attorney representing a client, endeavoring to influence the rule?

Name	Title	Client
(1)		
(2)		
(3)		

Did you submit this rule to review by individuals or organizations concerned with or covered by the rule prior to final draft or public hearing?

YES NO

If YES, cite reasons, circumstances and individuals or organizations involved:
 Advance copies of any rule are available to any interested person prior to the public hearing. In addition to the organizations listed in items 3 & 4 above, advance copies of the hearing draft of these regulations were sent to:

Copies of the proposed rule were sent to some interested Wisconsin Banks and the Wisconsin Bankers Association for review and comment. Comments were reviewed and no revisions were made as a result. Copies of the rule were sent to any individual who requested it. A list was not maintained.

123 West Washington Avenue
Madison, Wisconsin 53707

Mailing Address
P.O. Box 7876
Madison, Wisconsin 53707-7876

(608) 266-1621
November 30, 1987

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Revisor of Statutes
Bureau

State of Wisconsin
Office of Commissioner of Banking

Tommy G. Thompson
Governor

Richard E. Galecki
Commissioner

Mr. Gary Poulson
Assistant Revisor of Statutes
7th. Floor
30 W. Mifflin
Madison WI 53703

Re: Clearing House Rule 87-63

Dear Mr. Poulson:

Attached please find a certified copy and one additional copy of this rule for publication in the Administrative Code. The rule was submitted to the Senate and Assembly in final draft form on October 6, 1987. It was waived from the Senate Committee on Aging, Banking, Commercial Credit and Taxation and the Assembly Committee on Financial Institutions and Insurance. Neither Committee took action on the proposed rule.

Sincerely,



Richard E. Galecki
Commissioner of Banking

REG:LMS:nap
Enclosure