

Office of Commissioner of Savings and Loan

CR 91-118

STATE OF WISCONSIN

OFFICE OF COMMISSIONER OF SAVINGS AND LOAN

SS

CERTIFICATE

ORDER NO. 144

I, Harold N. Lee, Jr., Commissioner of Savings and Loan and custodian of the official records of the Office of the Commissioner of Savings and Loan and of the Savings and Loan Review Board, do hereby certify that the annexed Order No. 144 relating to authorizing savings and loan associations to sell noninsured financial products, prohibiting these sales by tellers at teller counters and requiring a written disclosure of noninsurance was adopted by this office and approved by the Review Board.

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

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the official seal of this office in the City of Madison this 4th day of February, 1992.



Handwritten signature of Harold N. Lee, Jr. followed by a horizontal line and the printed name 'Harold N. Lee, Jr., Commissioner'.

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4-1-92

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ORDER OF THE
OFFICE OF THE COMMISSIONER OF SAVINGS AND LOAN
AND THE SAVINGS AND LOAN REVIEW BOARD
CREATING A RULE

Relating to authorizing savings and loan associations to sell noninsured financial products, prohibiting these sales by tellers at teller counters and requiring a written disclosure of noninsurance.

Analysis Prepared by the Office of the Commissioner of Savings and Loan

Statutory authority: s. 215.135, Stats.

Statute interpreted: s. 215.135, Stats.

Under s. 215.135, Stats., a savings and loan association, directly or through a subsidiary, may offer any financially related product or service in this state that any other provider of financial products or services may provide or that the commissioner finds to be financially related. These products are limited to those specified by rule.

The proposed rule authorizes associations to offer and sell enumerated noninsured financial products either through a subsidiary corporation or directly by the association. The products are insurance products (including annuities and life, credit-life, health, property and casualty, unemployment compensation and mortgage guaranty insurance), equity securities (including preferred and common stocks and interests in mutual funds), real estate investment trust interests, corporate and municipal bonds and shares in uninsured brokered deposits.

However, two types of activities are specifically prohibited by this rule. First, noninsured financial products sold directly by association personnel may not be sold at a teller counter by tellers or comparable persons. Secondly, to avoid any actual or apparent conflict of interest, no investment advice may be given regarding, nor may transactions be made in any equity security or debt instrument of the association or any of its subsidiaries.

At the time of sale of many noninsured products, an association or subsidiary must disclose to the customer in writing and obtain from the customer a signed document acknowledging that the customer understands that product is not a deposit account and is not insured by a federal insuring agency (the Federal Deposit Insurance Corporation). Sales of the following products require this disclosure: an annuity, equity security, real estate investment trust

interest, corporate or municipal bond or share in uninsured brokered deposits.

Currently, a state chartered association may sell some insurance products through a subsidiary corporation. Sales of all of the above products, either "in-house" or through a subsidiary, are permitted by federal savings and loan associations or state or national banks.

Fiscal estimate. This rule will have no fiscal impact on the office of the commissioner of savings and loan.

Small business flexibility statement. This rule would provide all savings associations -- including those falling within the definition of "small business" under s. 227.114(1)(a), Stats. -- with the ability to sell noninsured financial products either directly or through a subsidiary corporation. This would increase an institution's income; offer each the choice of proceeding "in-house" rather than through a subsidiary, which would avoid costs of establishing or maintaining (or both) a separate corporation. The economic savings would far exceed the minimal costs of producing disclosure statements.

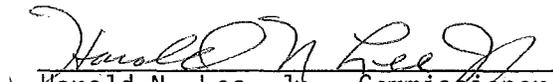
Pursuant to the authority invested in the commissioner of savings and loan and the savings and loan review board by s. 215.135, Stats., they hereby adopt s. S-L 16.01(13), relating to authorizing savings and loan associations to sell noninsured financial products, prohibiting sales by tellers at teller counters and requiring a written disclosure of noninsurance.

The commissioner hereby finds that the sale of these products is "financially related" under s. 215.135(1), Stats.

Dated: February 4, 1992

Attachment

Commissioner of Savings and Loan


Harold N. Lee, Jr., Commissioner

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RULE TO
AUTHORIZE SALE OF NONINSURED FINANCIAL PRODUCTS
AND REQUIRING DISCLOSURE OF NONINSURANCE

SECTION 1. S-L 16.01(13) is created to read:

S-L 16.01(13) SALE OF NONINSURED FINANCIAL PRODUCTS. (a) Authority. Both through a subsidiary under ch. S-L 15 and directly by the association, sell insurance products (including annuities and life, credit-life, health, property and casualty, unemployment compensation and mortgage guaranty insurance), equity securities (including preferred and common stocks and interests in mutual funds) as agents for the accounts of customers, real estate investment trust interests, corporate and municipal bonds and shares in uninsured brokered deposits.

(b) Prohibited activities. 1. Sales by tellers at teller counters. Sales of noninsured financial products described in par. (a) made directly by association personnel may not be sold at a teller counter by a teller or comparable person.

2. Investments in association or subsidiary. To avoid any actual or apparent conflict of interest, no investment advice may be given regarding, nor may transactions be made in any equity security or debt instrument of the association or any of its subsidiaries.

(c) Disclosure. When a customer purchases an annuity, equity security, real estate investment trust interest, corporate or municipal bond or share in uninsured brokered deposits, from an association or a subsidiary, the association or the subsidiary shall obtain from the customer a signed document in a form prescribed by the commissioner, a copy of which the customer receives, disclosing that the product is not a deposit account and is not insured by a federal insuring agency.

NOTE: Savings institutions operating under this rule must comply with other pertinent requirements, including those under securities and insurance laws and rules.

SECTION 2. Effective date. Pursuant to s. 227.22(2)(intro.), Stats. this rule is effective on the first day of the month following its publication in the Wisconsin administrative register.

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FISCAL ESTIMATE

ORIGINAL
 CORRECTED

UPDATED
 SUPPLEMENTAL

DOA-2048 (R 10/88)

Subject Authorizing savings and loan associations to sell noninsured financial products and requiring a written disclosure of noninsurance

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 _____

Fund Sources Affected

GPR FED PRO PRS SEG SEG-S

Affected Ch. 20 Appropriations

Assumptions Used in Arriving at Fiscal Estimate

No fiscal impact on the office of the commissioner of savings and loan

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Long-Range Fiscal Implications

None

Agency/Prepared by: (Name & Phone No.) 242-2180
Office of Commissioner of S&L
Harold N. Lee, Jr.

Authorized Signature/Telephone No.
Harold N. Lee, Jr.
Harold N. Lee, Jr.

Date
7/29/91

Tommy G. Thompson
Governor



Harold N. Lee, Jr.
Commissioner

Paul C. Adamski
Deputy Commissioner

State of Wisconsin
Office of the Commissioner of Savings and Loan

4785 Hayes Road, Suite 202 • Madison, Wisconsin 53704-7365 • (608) 242-2180 • FAX # (608) 242-2187

February 4, 1992

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Douglas J La Follette
Secretary of State
30 W Mifflin St
Madison WI 53702

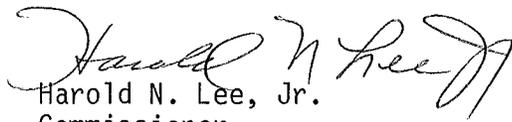
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Bruce Munson
Revisor of Statutes
119 Martin Luther King Jr Blvd 2nd Floor
Madison WI 53702

Gentlemen:

Pursuant to s. 227.20(1), Stats., enclosed is a certified copy of an administrative rule adopted by this office and the Savings and Loan Review Board and a "Certificate" and "Order" relating to it. This rule is Clearinghouse Rule 91-118, relating to authorizing savings and loan associations to sell noninsured financial products, prohibiting these sales by tellers at teller counters and requiring a written disclosure of noninsurance.

Sincerely,


Harold N. Lee, Jr.
Commissioner

HNL/k

Enclosures