

Clearinghouse Rule 98137

Favor

Jim Tenuta - Credit Unions

Would like to see credit unions included

~~Barton~~
~~Capenbach~~ ~~Jaworski~~

SB44 ^{Social Security}

- Sen Capenbach - Speaking For Self

- Chris Ahmuty - ACLU (submit)

- Joe Wineke - Operating Engineers (submit)

- Andy Franken

JAM Wesson ^{Wausau} Insurance (submit)

Speaking Favor

SENATE HEARING SLIP

(Please Print Plainly)

DATE: 2/23/99

BILL NO. _____

OR
SUBJECT Clearinghouse

Rule 98-137

James O. Huff
(NAME)

345 West Washington
(Street Address or Route Number)

Madison, WI
(City and Zip Code)

DFI
(Representing)

Speaking in Favor:

Speaking Against:

Registering in Favor:
but not speaking:

Registering Against:
but not speaking:

Speaking for information
only; Neither for nor against:

Please return this slip to a messenger **PROMPTLY.**

Senate Sergeant-At-Arms
Room 109-LL One East Main
P.O. Box 7882
Madison, WI 53707-7882

SENATE HEARING SLIP

(Please Print Plainly)

DATE: 1-23-99

BILL NO. CHR 98-13

OR
SUBJECT _____

Jim Teurta
(NAME)

(Street Address or Route Number)

(City and Zip Code)

WI Credit Union League
(Representing)

Speaking in Favor:

Speaking Against:

Registering in Favor:
but not speaking:

Registering Against:
but not speaking:

Speaking for information
only; Neither for nor against:

Please return this slip to a messenger **PROMPTLY.**

Senate Sergeant-At-Arms
Room 109-LL One East Main
P.O. Box 7882
Madison, WI 53707-7882

Hearing 2-23-99

Roll Call

	<u>Present</u>	<u>Absent</u>
Sen Erpenbach	X	
Sen Fitzgerald	X	
Sen Jauch	X	
Sen Plache	X	
Sen Rude	X	

Call Fitzgerald

Questions on Clearinghouse rule 98-137

For Department of Financial Institutions:::~::~:

Please explain what a LLC is and give as many examples as you can of them.

How does the department deal with requests for LLC's now with savings institutions?

Are credit unions allowed to create LLC's the same way savings institutions are, and why or why not?



State of Wisconsin
Department of Financial Institutions

Tommy G. Thompson, Governor

Richard L. Dean, Secretary

January 7, 1999

Senator Fred Risser
Wisconsin Senate
c/o Senate Chief Clerk
1 East Main Street, 4th Floor
Madison, WI 53703

Representative Scott Jensen, Speaker
Wisconsin Assembly
c/o Assembly Chief Clerk
1 East Main Street, 4th Floor
Madison, WI 53703

Gentlemen:

As required by s 227.19(2), Stats., attached for each of you is the administrative rule jacket for your house of the Legislature relating to Clearinghouse Rule 98-137 which is in final draft form. Each rule jacket contains in triplicate:

- 1) A notice that Clearinghouse Rule 98-137 is in final draft form.
- 2) The administrative rule in final draft form, its fiscal estimate, and a plain-English analysis which is set out in the "Proposed Order of the Division of Savings Institutions in the Department of Financial Institutions Amending and Adopting Rules".
- 3) The Legislative Council Staff Clearinghouse Report on the rule.
- 4) The response to the Clearinghouse Report required by s. 227.19(2).

If you require any additional information, please contact me.

Sincerely,

Thomas M. Boykoff

Thomas M. Boykoff
Administrator
TMB/clb

Attachments

cc: Richard Dean, Secretary, DFI
Dave Anderson, Exec. Assistant, DFI



**ORDER OF THE
DIVISION OF SAVINGS INSTITUTIONS IN THE
DEPARTMENT OF FINANCIAL INSTITUTIONS
AMENDING AND CREATING RULES**

The Division of Savings Institutions in the Department of Financial Institutions adopts an order to amend ss. DFI-SB 1.03(11), DFI-SB 15.01(1)(b) and (d), DFI-SL 1.03(14) and DFI-SL 15.01(1)(b) and (d); and to create ss. DFI-SB 1.03(7m), DFI-SB 15.01(3)(c), DFI-SL 1.03(8m) and DFI-SL 15.01(3)(c), relating to codifying a policy authorizing savings banks and savings and loan associations to invest in limited liability companies.

NOTICE IS HEREBY GIVEN that pursuant to ss. 214.715(1)(d) and 215.02(7)(a), Stats., and according to the procedure set forth in s.227.16(2)(e), Stats., the Division of Savings Institutions in the Department of Financial Institutions will adopt the following rule as proposed in this notice without public hearing unless, within 30 days after publication of this notice (revisor to insert date), the Division of Savings Institutions in the Department of Financial Institutions is petitioned for a public hearing by 25 natural persons who will be affected by the rule; a municipality which will be affected by the rule; or an association which is representative of a farm, labor, business or professional group which will be affected by the rule.

**Analysis Prepared by the Division of Savings Institution
in the Department of Financial Institutions**

Statutory authority: ss. 214.715(1)(d) and 215.02(7)(a), Stats.

Statutes interpreted: ss. 214.04(8), 214.485(10) and 215.13(26)(f), Stats.

Under current statutes, savings banks and savings and loan associations ("S&Ls") may invest in the stock of subsidiary service corporations that are formed for specific purposes. Long-standing administrative rules have permitted savings institutions to also invest in subsidiary partnerships and joint ventures.

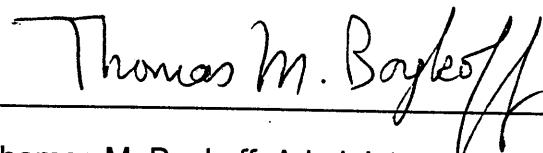
Chapters 214 and 215, Stats. authorize investments in subsidiary "corporations". However, since 1989 for S&Ls and 1994 for savings banks, administrative rules have allowed investments in subsidiary partnerships and joint ventures. Long-standing administrative rules have considered these two types of legal entities as the functional equivalent of corporations. The more recently created business entity known as the limited liability company ("LLC") has been allowed under a similar, informal interpretation. This rule now codifies that interpretation by expanding the types of subsidiary business entities that savings institutions may form and invest in to include the LLC.

Fiscal estimate. This rule will have no fiscal impact on the Division of Savings Institutions in the Department of Financial Institutions. The review of a savings bank's and S&Ls' use of this provision will be noted as part of routine examinations of savings banks and S&Ls with existing personnel and resources.

Small business flexibility statement. This rule will provide that all savings banks and S&Ls, including savings banks and S&Ls included in the definition of "small business" under s. 227.114(1)(a), Stats. may invest in subsidiary LLCs. Exempting small businesses from this rule would be contrary to this objective and not in the best interests of the savings institutions and the public.

Contact person: Thomas M. Boykoff, Administrator, Division of Savings Institutions in the Department of Financial Institutions; telephone: 261-4338.

Pursuant to the authority of the Division of Savings Institutions in the Department of Financial Institutions under ss. 214.715(1)(d) and 215.02(7)(a), Stats., the division amends ss. DFI-SB 1.03(11), DFI-SB 15.01(1)(b) and (d), DFI-SL 1.03(14) and DFI-SL 15.01(1)(b) and (d); and creates ss. DFI-SB 1.03(7m), DFI-SB 15.01(3)(c), DFI-SL 1.03(8m), DFI-SL 15.01(3)(c) and DFI-SL 13.03(3)(d)6, relating to codifying a policy authorizing savings banks and savings and loan associations to invest in subsidiary limited liability companies.



Thomas M. Boykoff, Administrator

Attachments (2)

Date: January 7, 1999

LLC RULE DRAFT

SECTION 1. DFI-SB 1.03(7m) is created to read:

DFI-SB 1.03(7m) "LLC" means a limited liability company organized under ch. 183, Stats.

SECTION 2. DFI-SB 1.03(11) is amended to read:

DFI-SB 1.03(11) "Subsidiary" means any business in which a savings bank directly or indirectly owns an interest, and includes a service corporation, partnership, joint venture, LLC and a company or business in which a savings bank indirectly owns an interest through another subsidiary or a series of subsidiaries.

SECTION 3. DFI-SB 15.01(1)(b) and (d) are amended to read:

DFI-SB 15.01(1)(b) Partnership ~~or~~, joint venture or LLC capital contributions.

(d) Liability for the debt of a partnership ~~or~~, joint venture or LLC.

SECTION 4. DFI-SB 15.01(3)(c) is created to read:

DFI-SB 15.01(3)(c) LLC. An application for approval of an investment in an LLC shall contain:

1. A copy of the LLC's articles of organization and any amendments.
2. A copy of the LLC's operating agreement and any amendments.
3. A list of members of the LLC.

4. A list of officers, directors or other persons with managerial authority of the LLC.

SECTION 5. DFI-SL 1.03(8m) is created to read:

DFI-SL 1.03(8m) "LLC" means a limited liability company organized under ch. 183, Stats.

SECTION 6. DFI-SL 1.03(14) is amended to read:

DFI-SL 1.03(14) "Subsidiary" means any business in which an association directly or indirectly owns an interest, and includes a service corporation, partnership, joint venture, LLC and a business in which an association indirectly owns an interest through another subsidiary or a series of subsidiaries.

SECTION 7. DFI-SL 15.01(1)(b) and (d) are amended to read:

DFI-SL 15.01(1)(b) Partnership ~~or~~ joint venture or LLC capital contributions.

(d) Liability for the debt of a partnership ~~or~~ joint venture or LLC.

SECTION 8. DFI-SL 15.01(3)(c) is created to read:

DFI-SL 15.01(3)(c) LLC. An application for approval of an investment in an LLC shall contain:

1. A copy of the LLC's articles of organization and any amendments.
2. A copy of the LLC's operating agreement and any amendments.

3. A list of members of the LLC.
4. A list of officers, directors or other persons with managerial authority of the LLC.

SECTION 9. 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 1/7/99

ORIGINAL UPDATED

LRB or Bill No./Adm. Rule No.
Adm. Rule ss. DFI-SL
1.03(11), 15.01(1)(b) &
(d), 1.03(14), 15.01(1)(b)
& (d); create 1.03(7m),
15.01 (3)(c), 1.03 (8m),
15.01(3)(c).

Amendment No. if Applicable

FISCAL ESTIMATE

DOA-2048 N(R10/96)

CORRECTED SUPPLEMENTAL

Subject Codifying a policy authorizing savings banks and savings and loan associations to invest in subsidiary limited liability 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 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

None

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 review of a savings bank's and a savings and loan association's investing in limited liability companies will be done as part of the examination of savings institutions.

Long Range Fiscal Implications None

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

Authorized Signature/Telephone No.

Thomas M. Boykoff / 261-4338

Date

September 4, 1998

WISCONSIN LEGISLATIVE COUNCIL STAFF



RULES CLEARINGHOUSE

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Director
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(608) 266-2982



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Legislative Council Staff
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One E. Main St., Ste. 401
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Madison, WI 53701-2536
FAX: (608) 266-3830

CLEARINGHOUSE REPORT TO AGENCY

[THIS REPORT HAS BEEN PREPARED PURSUANT TO S. 227.15, STATS. THIS IS A REPORT ON A RULE AS ORIGINALLY PROPOSED BY THE AGENCY; THE REPORT MAY NOT REFLECT THE FINAL CONTENT OF THE RULE IN FINAL DRAFT FORM AS IT WILL BE SUBMITTED TO THE LEGISLATURE. THIS REPORT CONSTITUTES A REVIEW OF, BUT NOT APPROVAL OR DISAPPROVAL OF, THE SUBSTANTIVE CONTENT AND TECHNICAL ACCURACY OF THE RULE.]

CLEARINGHOUSE RULE 98-137

AN ORDER to amend DFI-SB 1.03 (11) and 15.01 (1) (b) and (d) and DFI-SL 1.03 (14) and 15.01 (1) (b) and (d); and to create DFI-SB 1.03 (7m) and 15.01 (3) (c) and DFI-SL 1.03 (8m) and 15.01 (3) (c), relating to codifying a policy authorizing savings banks and savings and loan associations to invest in limited liability companies.

Submitted by **DEPARTMENT OF FINANCIAL INSTITUTIONS**

09-11-98 RECEIVED BY LEGISLATIVE COUNCIL.

10-08-98 REPORT SENT TO AGENCY.

RS:DLS:jal;ksm

LEGISLATIVE COUNCIL RULES CLEARINGHOUSE REPORT

This rule has been reviewed by the Rules Clearinghouse. Based on that review, comments are reported as noted below:

1. STATUTORY AUTHORITY [s. 227.15 (2) (a)]

Comment Attached YES NO

2. FORM, STYLE AND PLACEMENT IN ADMINISTRATIVE CODE [s. 227.15 (2) (c)]

Comment Attached YES NO

3. CONFLICT WITH OR DUPLICATION OF EXISTING RULES [s. 227.15 (2) (d)]

Comment Attached YES NO

4. ADEQUACY OF REFERENCES TO RELATED STATUTES, RULES AND FORMS [s. 227.15 (2) (e)]

Comment Attached YES NO

5. CLARITY, GRAMMAR, PUNCTUATION AND USE OF PLAIN LANGUAGE [s. 227.15 (2) (f)]

Comment Attached YES NO

6. POTENTIAL CONFLICTS WITH, AND COMPARABILITY TO, RELATED FEDERAL REGULATIONS [s. 227.15 (2) (g)]

Comment Attached YES NO

7. COMPLIANCE WITH PERMIT ACTION DEADLINE REQUIREMENTS [s. 227.15 (2) (h)]

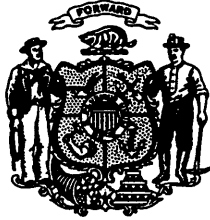
Comment Attached YES NO

WISCONSIN LEGISLATIVE COUNCIL STAFF

RULES CLEARINGHOUSE

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Director
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Madison, WI 53701-2536
FAX: (608) 266-3830

CLEARINGHOUSE RULE 98-137

Comments

[NOTE: All citations to "Manual" in the comments below are to the Administrative Rules Procedures Manual, prepared by the Revisor of Statutes Bureau and the Legislative Council Staff, dated September 1998.]

2. Form, Style and Placement in Administrative Code

a. The amendment to s. DFI-SB 15.01 (1) (b) and s. DFI-SL 15.01 (1) (b) should read as follows:

Partnership ~~or~~, joint venture or LLC capital contributions.

b. The rule does not contain an effective date provision. [See s. 1.02 (4), Manual.]

**REPORT REQUIRED BY S. 227.19(2), STATS.,
ON CLEARINGHOUSE RULE 98-137,
RELATING TO CODIFYING A POLICY AUTHORIZING SAVINGS BANKS AND
SAVINGS AND LOAN ASSOCIATIONS TO INVEST
IN LIMITED LIABILITY COMPANIES.**

A.) NEED FOR THE RULE

Under current statutes, savings banks and savings and loan associations ("S&Ls") may invest in the stock of subsidiary corporations that are formed for specific purposes. Long-standing administrative rules have permitted savings institutions to also invest in subsidiary partnerships and joint ventures.

Chapters 214 and 215, Stats. authorize investments in subsidiary "corporations". However, since 1989 for S&Ls, and 1994 for savings banks, administrative rules have allowed investments in subsidiary partnerships and joint ventures. These long-standing administrative rules have considered these two types of legal entities as the functional equivalent of corporations.

The more recently created business entity known as the limited liability company ("LLC") has been allowed under a similar, informal interpretation. This rule now codifies that interpretation by expanding the types of subsidiary business entities those savings institutions may form and invest in to include the LLC.

B.) MODIFICATIONS TO RULE AS RESULT OF TESTIMONY RECEIVED AT THE PUBLIC HEARING.

No public hearing was held.

C.) PERSONS APPEARING OR TESTIFYING AT THE PUBLIC HEARING.

No public hearing was held.

D.) RESPONSE TO THE LEGISLATIVE COUNCIL STAFF CLEARINGHOUSE REPORT.

All the changes were made which were recommended by the Legislative Council Rules Clearinghouse.



State of Wisconsin
Department of Financial Institutions

Tommy G. Thompson, **Governor**

Richard L. Dean, **Secretary**

NOTICE
TO THE PRESIDING OFFICER OF EACH
HOUSE OF THE LEGISLATURE.
(UNDER S. 227.19(2), STATS.)

To: THE PRESIDENT OF THE SENATE AND
THE SPEAKER OF THE ASSEMBLY

THIS IS TO NOTIFY you that Clearinghouse Rule 98-137 is in final draft form

The rule relates to codifying a policy authorizing savings banks and savings and loan associations to invest in limited liability companies.

Dated this 7th day of January, 1999

Thomas M. Boykoff

Thomas M. Boykoff, Administrator

1/7/99



JON ERPENBACH

STATE SENATOR

Chair Privacy, Electronic Commerce, and Financial Institutions

* Credit Unions →

TO: Senator J. ... Senator Plache, Senator Rude & Senator Fitzgerald
FR: Senator Jon Erpenbach
DT: January 15, 1999

I am forwarding a copy of Clearinghouse Rule Senate 98-137 which was referred to the Senate Privacy, Electronic Commerce, and Financial Institutions Committee on 1/13/99. If you would like to schedule a hearing on this rule please contact Julie Landrieu in my office by Friday 2/12/98.

Clearinghouse Rule Senate 98-137: an order to amend DFI-SB 1.03 and 15.01(1)(b) and (d) and DFI-SL 1.03 (14) and 15.01 (1)(b) and (d); and to create DFI-SB 1.03 (7m) and 15.01 (7m) and (c) and DFI-SL 1.03(8m) and 15.01 (8m) (c), relating to codifying policy authorizing savings banks and savings and loan associations to invest in limited liability companies.

Savings Institutions

* form corporations + they own corporations

Primary Mission

Make loans for residences
farm service corporations

Joint Ventures + Partnerships to provide services insurance / mortgage operations

LLC have formed 1992 in statutes partnership + corporations

Have been allowing to form LLC's can be formed 10 years have been doing

WBA
Title Insurance Companies
Have LLC's that can sell Title Insurance
* Keep fees with financial institutions