

# State of Wisconsin



2015 Assembly Bill 807

Date of enactment: **March 30, 2016**

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## 2015 WISCONSIN ACT 304

AN ACT *to repeal* 186.11 (2) (b) and 186.22; *to renumber and amend* 186.11 (2) (a), 186.235 (16) and 186.70; *to amend* 186.071 (1) (e), 186.113 (8), 186.12 (3), 186.13, 186.235 (7m) and 186.70 (title); *to repeal and recreate* 186.17; and *to create* 186.01 (4), 186.07 (8), 186.235 (7) (b) 3., 186.235 (16) (b) and 186.70 (2) of the statutes; **relating to:** credit union operations and modifying rules promulgated by the Department of Financial Institutions.

*The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:*

**SECTION 1.** 186.01 (4) of the statutes is created to read:

186.01 (4) "Net worth" means the aggregate of retained earnings of a credit union, as determined according to generally accepted accounting principles, and other forms of capital approved by the director of the office of credit unions.

**SECTION 2.** 186.07 (8) of the statutes is created to read:

186.07 (8) DIRECTOR CONFLICT OF INTEREST. (a) In this subsection, "conflict of interest transaction" means a transaction with the credit union in which a director of the credit union has a direct or indirect interest.

(b) A conflict of interest transaction is not voidable by the credit union solely because of the director's interest in the transaction if any of the following is true:

1. The material facts of the transaction and the director's interest were disclosed or known to the board of directors or a committee of the board of directors and the board of directors or committee authorized, approved, or specifically ratified the transaction under par. (d).

2. The transaction was fair to the credit union.

(c) For purposes of this subsection, the circumstances in which a director of the credit union has an indirect interest in a transaction include a transaction under any of the following circumstances:

1. Another entity in which the director has a material financial interest or in which the director is a general partner is a party to the transaction.

2. Another entity of which the director is a director, officer, or trustee is a party to the transaction and the transaction is or, because of its significance to the credit union, should be considered by the board of directors of the credit union.

(d) For purposes of par. (b) 1., a conflict of interest transaction is authorized, approved, or specifically ratified if it receives the affirmative vote of a majority of the directors on the board of directors or on the committee acting on the transaction who have no direct or indirect interest in the transaction. If a majority of the directors who have no direct or indirect interest in the transaction vote to authorize, approve, or ratify the transaction, a quorum is present for the purpose of taking action under this subsection. The presence of, or a vote cast by, a director with a direct or indirect interest in the transaction does not affect the validity of any action taken under par. (b)

\* Section 991.11, WISCONSIN STATUTES: Effective date of acts. "Every act and every portion of an act enacted by the legislature over the governor's partial veto which does not expressly prescribe the time when it takes effect shall take effect on the day after its date of publication."

1. if the transaction is otherwise authorized, approved, or ratified as provided in this subsection.

**SECTION 3.** 186.071 (1) (e) of the statutes is amended to read:

186.071 (1) (e) Avoid initiating or participating in any action that may be in that person's present to that person a personal pecuniary conflict of interest.

**SECTION 4.** 186.11 (2) (a) of the statutes is renumbered 186.11 (2) and amended to read:

186.11 (2) CREDIT UNION PROPERTY. ~~Subject to par. (b), a~~ A credit union may purchase, hold, and dispose of property as necessary for or incidental to its operations.

**SECTION 5.** 186.11 (2) (b) of the statutes is repealed.

**SECTION 6.** 186.113 (8) of the statutes is amended to read:

186.113 (8) DONATIONS. Make donations and grants, ~~the total of which may not exceed 1.0 percent of regular reserves within a given year,~~ if the board of directors approves any such donation or grant and the approval is based on a determination that the donation or grant is in the best interest of the credit union and is reasonable given the size and financial condition of the credit union.

**SECTION 7.** 186.12 (3) of the statutes is amended to read:

186.12 (3) EXPENDITURES. ~~The~~ To the extent permitted by a credit union's bylaws, the officers elected by the board of directors, and the members of the credit committee ~~and loan officers~~ may receive such compensation as the board authorizes, but the expenditures of the credit union for all purposes shall be paid from its earnings.

**SECTION 8.** 186.13 of the statutes is amended to read:

**186.13 Expulsion.** If the board of directors adopts a written policy, a credit union may expel a member if the member neglects or refuses to comply with this chapter or the credit union bylaws or if the board has other just cause. The credit union shall provide notice to the member in writing of the reason for expulsion. The notice shall include a description of the member's right to a hearing petition the board for reconsideration of the member's expulsion and the time period for the member to ~~request a hearing petition.~~ request a hearing petition. If a member ~~requests a hearing petition the board~~ in writing within 45 days of receipt of the expulsion notice, the board shall ~~give the member an opportunity to be heard on~~ reconsider the expulsion within 90 days after the date of the expulsion notice.

**SECTION 9.** 186.17 of the statutes is repealed and recreated to read:

**186.17 Reserves.** A credit union shall maintain sufficient reserves to meet anticipated withdrawals, commitments, and loan demand. A credit union shall maintain at least the level of reserves required for it by the national credit union administration. The office of credit unions may prescribe additional reserve requirements for an individual credit union based on examination findings or other reports available to the office.

**SECTION 10.** 186.22 of the statutes is repealed.

**SECTION 11.** 186.235 (7) (b) 3. of the statutes is created to read:

186.235 (7) (b) 3. Provide examination reports to a credit union's attorneys, independent certified public accountants, or other consultants or advisers who have agreed in writing to maintain the confidentiality of the reports.

**SECTION 12.** 186.235 (7m) of the statutes is amended to read:

186.235 (7m) RETURN OF EXAMINATION REPORTS. Examination reports possessed by a credit union are confidential, remain the property of the office of credit unions, and shall be returned to the office of credit unions immediately upon request. This subsection does not prohibit a credit union from providing an examination report to its attorneys, independent certified public accountants, or other consultants or advisers who have agreed in writing to maintain the confidentiality of the report.

**SECTION 13.** 186.235 (16) of the statutes is renumbered 186.235 (16) (a) and amended to read:

186.235 (16) (a) ~~At Except as provided in par. (b), at~~ least once every 18 months, the office of credit unions shall examine the records and accounts of each credit union. For that purpose the office of credit unions shall have full access to, and may compel the production of, each credit union's records and accounts. The office of credit unions may administer oaths to and examine each credit union's officers and agents.

**SECTION 14.** 186.235 (16) (b) of the statutes is created to read:

186.235 (16) (b) In lieu of the examination under par. (a), the office of credit unions may accept an examination conducted within a reasonable period by the national credit union administration if a copy of the examination is furnished to the office of credit unions.

**SECTION 15.** 186.70 (title) of the statutes is amended to read:

**186.70 (title) Record search; members' inspection of records.**

**SECTION 16.** 186.70 of the statutes is renumbered 186.70 (1) and amended to read:

186.70 (1) A credit union is entitled to reimbursement for expenses and costs incurred in searching for, reproducing and transporting books, papers, records and other data required to be produced by legal process, unless otherwise prohibited by law from collecting these expenses and costs or unless the person seeking the production is a government unit, as defined in s. 108.02 (17). The expenses and costs shall be paid by persons seeking such production. If a credit union is entitled to reimbursement under this ~~section~~ subsection, a credit union may not be required to produce books, papers, records and other data in response to legal process unless the expenses and costs, identified in an itemized invoice to be provided by the credit union, are paid or unless pay-

ment is tendered to the credit union in cash or by certified check or draft.

**SECTION 17.** 186.70 (2) of the statutes is created to read:

186.70 (2) (a) A group of members of a credit union has the right, upon submission of a petition to the credit union that satisfies the requirements under par. (b), to inspect and copy nonconfidential portions of all of the following:

1. The credit union's accounting books and records.
2. The credit union's minutes of the proceedings of the credit union's members, board of directors, and committees of directors.

(b) The petition under par. (a) shall describe the particular records to be inspected and state a proper purpose for the inspection, which must be a purpose related to the protection of the members' financial interests in the credit union. The petition shall state that the petitioners as a whole, or certain named petitioners, agree to pay the direct and reasonable costs associated with search and duplication of requested material. The petition shall also state that the inspection is not desired for any purpose other than the stated purpose; that the members signing the petition will not sell or offer for sale any information obtained from the credit union; and that the members signing the petition have not within 5 years immediately preceding the signature date sold or offered for sale any information acquired from the credit union or aided or abetted any person in procuring any information from the credit union for purposes of sale. The petition shall name one member, and one alternate member, who shall represent the petitioners on issues such as inspection procedures, costs, and potential disputes. At least one percent of the credit union's members, with a minimum of 20 members and a maximum of 500 members, must sign the petition. Each member who signs the petition must have been a member of the credit union for at least 180 days at the time the petitioners submit the petition to the credit union.

(c) 1. A credit union shall respond to petitioners within 14 days of receiving a petition under par. (b). In its response, a credit union shall inform petitioners either that it will provide inspection of the requested material and, if so, when, or, if a credit union is going to withhold all or part of the requested material, it shall inform petitioners what part of the requested material it intends to withhold and the reasons for withholding the requested material. As soon as possible after receiving a petition, a credit union shall schedule inspection and copying of nonconfidential requested material it determines petitioners may inspect and copy.

2. Inspection may be made in person or by agent or attorney and at any reasonable time. The credit union may, at its option, skip inspection and deliver copies of requested documents directly to the petitioners. Member inspection rights under this subsection are in addition to

any other member inspection rights afforded by the credit union's charter or bylaws or other statutory provisions or rules.

3. If the credit union denies inspection because the petitioners have failed to obtain the minimum number of valid signatures, the credit union shall inform the petitioners which signatures were not valid and why.

(d) Members do not have the right to inspect any portion of the books, records, or minutes of a credit union if any of the following applies:

1. Statutory provisions or rules prohibit disclosure of that portion.
2. The publication of that portion could cause the credit union predictable and substantial financial harm.
3. That portion contains nonpublic personal information, as defined in [12 CFR 1016.3](#).
4. That portion contains information about credit union employees or officials the disclosure of which would constitute a clearly unwarranted invasion of personal privacy.

(e) A credit union may charge petitioners the direct and reasonable costs associated with search and duplication. The credit union may not charge for other costs, including indirect costs or attorney fees.

(f) In the event of a dispute between a credit union and its members concerning a petition for inspection or the associated costs, either party may submit the dispute to the director of the office of credit unions. The director, after obtaining the views of both parties, shall direct the credit union either to withhold the disputed materials or to make them available for member inspection and copying. The director may place conditions upon release. The decision of the director is a final agency decision and is not appealable to the credit union review board.

**SECTION 17m.** DFI-Bkg 14.03 of the administrative code is amended to read:

**DFI-Bkg 14.03 Advance notice and approval required.** Each bank proposing to engage in an activity authorized under s. 221.0303, Stats., or proposing to change the place or manner in which it engages in such an activity, shall file with the administrator of the division of banking ~~an application~~ a written notice containing such information as the administrator of the division of banking may from time to time prescribe. If the administrator of the division of banking regularly receives information on additions, deletions or changes in locations of customer bank communications terminals from a supplier, a bank is excused from filing ~~an application~~ a written notice merely to change the place at which it offers the services. No bank may commence any such activity ~~unless the place and manner in which the activity is conducted has been approved by the administrator of the division of banking in writing or the administrator of the division of banking does not take written objection to the bank's completed application within 30 days after it has been filed~~ until the bank has filed the written notice under

this section. A bank may not commence or continue to engage in any activity authorized under s. 221.0303, Stats., if, in the opinion of the administrator of the division of banking, the activity is beyond the financial or management capabilities of the bank, would result in unfair competition among financial institutions, or is otherwise in violation of this chapter.

**SECTION 18.** DFI-CU 63.03 of the administrative code is amended to read:

**DFI-CU 63.03 Advance notice and approval required.** Each credit union proposing to engage in an activity authorized under s. 186.113 (15), Stats., or proposing to change the place or manner in which it engages in such an activity, shall file with the director ~~an application~~ a written notice containing such information as the director may from time to time prescribe. If the director regularly receives information on additions, deletions or changes in locations of remote terminals from a supplier, a credit union is excused from filing ~~an application~~ a written notice merely to change the place at which it offers the services. No credit union may commence any such activity ~~unless the place and manner in which the activity is conducted has been approved by the director in writing or the director does not take written objection to the credit union's completed application within 30 days after it has been filed~~ until the credit union has filed the written notice under this section. A credit union may not commence or continue to engage in any activity authorized under s. 186.113 (15), Stats., if, in the opinion of the director, the activity is beyond the financial or management capabilities of the credit union, would result in unfair competition among financial institutions, or is otherwise in violation of this chapter.

**SECTION 19.** DFI-CU 69.02 of the administrative code is amended to read:

**DFI-CU 69.02 Definition.** In this chapter, "official" means any director, executive officer, ~~loan officer~~, credit committee member or internal auditor of a credit union.

**SECTION 19g.** DFI-SL 12.03 of the administrative code is amended to read:

**DFI-SL 12.03 Advance notice and approval required.** Each association proposing to engage in an activity authorized under s. 215.13 (46), Stats., or proposing to change the place or manner in which it engages in such an activity, shall file with the division ~~an application~~ a written notice containing such information as the

division may from time to time prescribe. No association may commence any such activity ~~unless the place and manner in which the activity is conducted has been approved by the division in writing or the division does not take written objection to the association's completed application within 30 days after it has been filed~~ until the association has filed the written notice under this section. If the division regularly receives information on additions, deletions or changes in locations of remote service units from a supplier, an association is excused from filing ~~an application~~ a written notice merely to add, delete or change the place at which it offers the services. An association may not commence or continue to engage in any activity authorized under s. 215.13 (46), Stats., if, in the opinion of the division, the activity is beyond the financial or management capabilities of the association, would result in unfair competition among financial institutions, or is otherwise in violation of this chapter.

**SECTION 19m.** DFI-SB 12.03 of the administrative code is amended to read:

**DFI-SB 12.03 Advance notice and approval required.** Each savings bank proposing to engage in an activity authorized under s. 214.04 (21), Stats., or proposing to change the place or manner in which it engages in such an activity, shall file with the division ~~an application~~ a written notice containing such information as the division may from time to time prescribe. No savings bank may commence any such activity ~~unless the place and manner in which the activity is conducted has been approved by the division in writing or the division does not take written objection to the savings bank's completed application within 30 days after it has been filed~~ until the savings bank has filed the written notice under this section. If the division regularly receives information on additions, deletions or changes in locations of remote service units from a supplier, a savings bank is excused from filing ~~an application~~ a written notice merely to add, delete or change the place at which it offers the services. A savings bank may not commence or continue to engage in any activity authorized under s. 214.04 (21), Stats., if, in the opinion of the division, the activity is beyond the financial or management capabilities of the savings bank, would result in unfair competition among financial institutions, or is otherwise in violation of this chapter.