



DAVID CRAIG

STATE REPRESENTATIVE

Senate Committee on Financial Institutions and Rural Issues
Public Hearing, May 1, 2013
Assembly Bill 58 Testimony
Representative David Craig, 83rd Assembly District

Dear Members of the Committee,

Thank you for taking the time to hear testimony on this legislation, AB-58.

Under current law two or more banks can form a *bank service corporation* that may perform limited bank services for those banks, and in some cases for non-shareholding banks. Current law allows for bank service corporations to perform the following bank services; deposit sorting and posting, computation and posting of interest and other credits and charges, preparation and mailing of checks, statements, notices and similar items, or any other clerical, bookkeeping, accounting, statistical or other similar functions performed for a bank. This bill would expand that list to include auditing, compliance, loan documentation, administrative, and technology functions performed for a bank, and any other services related to the routine daily operations of banks as determined by the Department of Financial Institutions. Similar statutory language for *credit union service organizations* is already on the books in Wisconsin.

In addition, this bill also repeals the current requirement that a bank service corporation provide bank services to nonparticipant banks.

Many factors, not the least of which is a rapidly increasing federal regulatory burden, are making it harder for Wisconsin's banks, particularly our smaller and community banks, to thrive. This bill will allow those smaller banks to save costs and increase efficiency related to carrying out these services. Allowing banks to contract more of these "backroom" functions to a subsidiary would let them focus more on their "frontline" duties such as interacting with customers, making loans to individuals and businesses and serving their communities.

This bill does not cost taxpayers, it does not pick winners and losers, and is a common sense approach to help banks, and thereby their customers in this challenging business climate.

While bank consolidation has happened, and will likely continue to some degree both nationwide and in Wisconsin, this bill will help ensure our state's businesses and consumers continue to enjoy a healthy mix of large national banks, mid-sized regional banks and smaller community banks.

Lastly, current law similarly allows credit unions to invest in credit union service organizations, which may provide specified services related to the routine daily operations of credit unions. The Office of Credit Unions in the Department of Financial Institutions may expand this list of permissible services provided by credit union service organizations. This bill specifies that the Office of Credit Unions is not required to engage in rule-making to expand this list of permissible services.

Thank you for your time.



Testimony of the Wisconsin Bankers Association
Mike Semmann, SVP/COO, Wisconsin Bankers Association
Jay Risch, Director-Government Relations, Wisconsin Bankers Association

Senate Committee on Financial Institutions and Rural Issues
Assembly Bill 58

May 1, 2013

Chairman Schultz and Members of the Committee:

Thank you for the opportunity to testify in favor of Assembly Bill 58. The Wisconsin Bankers Association (WBA) is the state's largest financial industry trade association, representing nearly 300 commercial banks and savings institutions, their nearly 2,300 branch offices and 28,000 employees.

A rapidly-increasing regulatory load – primarily from the federal level – is putting additional costs on Wisconsin banks. Keeping up with the growing compliance burden takes time and resources away from a bank's primary mission of serving its customers and community. The problem is particularly acute for Wisconsin's smaller, community banks.

Given that most headaches for banks come from Washington, state legislators in Madison often wonder if there is anything they can do to help. Passing AB 58 would do just that.

AB 58 expands upon the services a "bank service corporation" may perform for a bank. Wisconsin enacted regulations pertaining to bank service corporations in the 1963-64 legislative session. A great deal has changed in the 50 years since and it makes sense that our state statutes be updated accordingly. Allowing Wisconsin's community banks to expand their use of bank service corporations will help them remain viable.

AB 58 enjoys bipartisan support, was recommended for passage 12-0 by the Assembly Committee on Financial Institutions and it received a voice vote in the Assembly on April 9. On behalf of the Wisconsin Bankers Association, we urge your support of AB 58.

Thank you. We would be happy to answer any questions.

Testimony of the Wisconsin Bankers Association
May 1, 2013

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