



**Office of Commissioner of Savings and Loan**

STATE OF WISCONSIN )  
 ) SS  
 OFFICE OF COMMISSIONER OF SAVINGS AND LOAN )

CERTIFICATE

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, do hereby certify that the annexed rule relating to liquidity levels required for savings banks was duly approved by me on February 9, 1996.

This rule shall become effective on the first day of the month following its publication in the Wisconsin Administrative Register, pursuant to s. 227.22(2)(intro.), Stats.

I further certify that this copy of the rule has been compared by me with the original on file in this office and that it is a true copy of the whole original.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the official seal of the Office of the Commissioner of Savings and Loan this 9th day of February, 1996.



*Harold N. Lee, Jr.*  
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 Harold N. Lee, Jr., Commissioner



4-1-96

ORDER OF THE  
OFFICE OF THE COMMISSIONER OF SAVINGS AND LOAN  
REPEALING AND RECREATING A RULE



The commissioner of savings and loan adopts an order to repeal and recreate s. SB 8.03, relating to liquidity levels required for savings banks.

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Analysis Prepared By The  
Office of the Commissioner of Savings and Loan

Statutory authority: s. 214.715(1)(d), Stats.  
Statute interpreted: s. 214.715(1)(a), Stats.  
This rule provides a mechanism allowing the commissioner of savings and loan to establish minimum levels of liquid assets which a savings bank should have on hand to meet cash requirements. The proposed rule gives the commissioner more latitude than the more rigid provisions in the present rule.

The rule establishes a flexible standard and defines terms used to compute the required liquidity level. A description of how to calculate the "liquidity ratio" is prescribed in sub. (2). Terms which are used in establishing this ratio are described and include "liquid assets" and "primary liquid asset".

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 will provide all savings banks -- including those fitting the definition of "small business" under s. 227.114(1)(a), Stats. -- with the requirement of maintaining sufficient liquidity to meet demands. Exempting small businesses from this rule would be contrary to the statutory objectives which are the basis for the rule; i.e., providing all savings banks with an appropriate liquidity level to serve the public.

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Pursuant to the authority invested in the commissioner of savings and loan by s. 214.715(1)(d), Stats., the commissioner hereby repeals and recreates s. SB 8.03, relating to liquidity levels required for savings banks.

Attachment (2)

Dated: February 9, 1996

  
Harold N. Lee, Jr., Commissioner

LIQUIDITY RULE FOR SAVINGS BANKS

SECTION 1. SB 3.08 is repealed and recreated to read:

SB 3.08 LIQUIDITY REQUIREMENT. (1) The commissioner shall establish, by periodic written notice to all savings banks, the minimum liquidity ratio that savings banks shall maintain. The ratio shall be between 4% and 15%. At least 50% of the minimum liquid assets shall consist of primary liquid assets. The commissioner may require a savings bank to maintain a higher ratio if the commissioner determines that the nature of the savings bank's operations requires a higher liquidity ratio.

(2) The liquidity ratio of a savings bank for a month shall be calculated as follows:

- (a) Add the savings bank's daily net withdrawable deposit accounts and its outstanding borrowings due in one year or less for the previous month.
- (b) Divide the amount in par. (a) by the total number of days in the previous month.
- (c) Divide the savings bank's average daily total of liquid assets for the month for which the liquidity ratio is being calculated by the amount in par. (b).

- (3) A liquid asset shall be either cash or an obligation authorized for investment by a savings bank. Liquid assets do not include loans, loan receivables and equity investments.
  
- (4) In this section, "primary liquid assets" include the following unencumbered obligations:
  - (a) U.S. government and U.S. government agency obligations.
  - (b) Obligations issued by this state or a political subdivision, including a school district, in this state.
  - (c) Deposits in FDIC-insured financial institutions that equal or exceed the minimum capital requirements for savings banks.
  - (d) Cash, cash equivalent receivables, and settlements due from the U.S. or an agency of the U.S.
  - (e) Accrued interest receivable on any item in par. (a), (b) or (c).
  - f) Commercial paper of the two highest investment grades having a maturity of 270 days or less.
  - g) Bankers acceptances having a maturity of 270 days or less of federally insured U.S. banks.
  - h) Shares in open-end investment funds if at least 99% of the securities held by the fund would otherwise qualify

as primary liquid assets under this section if held directly by the savings bank.

(5) Other liquid assets which are not "primary liquid assets" include the following unencumbered obligations:

- (a) Mortgage backed securities which are readily salable in the securities market.
- (b) Mortgage derivative securities with a projected maturity of less than 4 years which are readily salable in the securities market.
- (c) Securities issued by other states and political subdivisions in other states.
- (d) Other securities authorized by the commissioner as investments and for which a secondary resale market exists, including authorized mutual fund investments.
- (e) Accrued interest receivable on any item in par. (a) to (d).

(6) To qualify as a liquid asset, a security shall be current with respect to payment of scheduled principal or interest or both and shall be an authorized investment for a savings bank.

(7) In this section:

- (a) A savings bank's designation of an investment under financial accounting standards board statement number 115 does not effect its liquid asset classification.
- (b) The value of an investment included in liquid assets shall be accounted for under generally accepted accounting principles and financial accounting standards board statement number 115.
- (c) Assets and liabilities of a wholly owned investment operating subsidiary shall be treated on a consolidated reporting basis with those of the parent savings bank.

NOTE: A copy of the document captioned "Accounting for Certain Investments in Debt and Equity Securities" (May 1993), known as "Statement of Financial Accounting Standards No. 115" is available at the office of the commissioner, the secretary of state and the revisor of statutes. A copy may be obtained on request.

SECTION 2. 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.

1/3/96

FISCAL ESTIMATE  
DOA-2048 (R10/92)

ORIGINAL       UPDATED  
 CORRECTED       SUPPLEMENTAL

Subject  
Liquidity levels for savings banks

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       VTAE Districts

Fund Sources Affected  
 GPR     FED     PRO     PRS     SEG     SEG-S    None

Affected Ch. 20 Appropriations  
None

Assumptions Used in Arriving at Fiscal Estimate

This rule will have no fiscal impact on the Office of the Commissioner of Savings and Loan.

Long-Range Fiscal Implications

None

Agency/Prepared by: (Name & Phone No.)  
Office of Com. of S&L    242-2180  
Thomas M. Boykoff, General Counsel

Authorized Signature/Telephone No.    242-2180  
*Harold N. Lee, Jr.*  
Harold N. Lee, Jr., Commissioner

Date  
6/27/95



Tommy G. Thompson  
Governor

Harold N. Lee, Jr.  
Commissioner

J. David Christenson  
Deputy Commissioner

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February 9, 1996


Bruce Munson  
Revisor of Statutes  
131 W Wilson St 9th Floor  
Madison WI 53702

Douglas J LaFollette  
Secretary of State  
30 W Mifflin St 9th Floor  
Madison WI 53702

Gentlemen:

Pursuant to s. 227.20(1), Stats., enclosed is a certified copy of an administrative rule adopted by the Office of the Commissioner of Savings and Loan and a "Certificate" and "Order" relating to it. This rule is Clearinghouse rule 95-114, relating to liquidity levels required for savings banks.

Sincerely,

  
Harold N. Lee, Jr.  
Commissioner

HNL/k

Enclosures

