

1 AN ACT concerning regulation.

2 **Be it enacted by the People of the State of Illinois,**  
3 **represented in the General Assembly:**

4 Section 5. The Illinois Credit Union Act is amended by  
5 changing Sections 15, 20, 26, 29, 30, and 59 and by adding  
6 Section 57.3 as follows:

7 (205 ILCS 305/15) (from Ch. 17, par. 4416)

8 Sec. 15. Membership defined.

9 (1) The membership of a credit union shall be limited to  
10 and consist of the subscribers to the articles of  
11 incorporation and such other persons within the common bond,  
12 as defined in this Act and as set forth in the credit union's  
13 articles of incorporation, as have been duly admitted members,  
14 have paid the required entrance fee or membership fee, or  
15 both, if any, have subscribed for one or more shares, and have  
16 paid the initial installment thereon, and have complied with  
17 such other requirements as the articles of incorporation or  
18 bylaws specify. Two or more persons within the common bond who  
19 have jointly subscribed for one or more shares under a joint  
20 account and have complied with all membership requirements may  
21 each be admitted to membership. The surviving spouse of a  
22 credit union member may, within 6 months of the member's  
23 death, become a member of the credit union by paying the

1 required entrance fee or membership fee or both, if any, by  
2 subscribing for one or more shares and paying the initial  
3 installment thereon, and by complying with such other  
4 requirements as the articles of incorporation or bylaws  
5 specify.

6 (2) Any member may withdraw from a credit union at any time  
7 upon giving notice of withdrawal as required by the bylaws.

8 (3) Any member may be expelled by a 2/3 vote of the members  
9 present at any regular or special meeting called to consider  
10 the matter, but only after an opportunity has been given to the  
11 member to be heard.

12 (4) A member may be expelled by a majority vote of a quorum  
13 of directors if the board has adopted a policy providing for  
14 expulsion for any of the following acts committed by the  
15 member:

16 (i) causing a loss to the credit union;

17 (ii) failing to maintain one or more shares at the  
18 credit union;

19 (iii) committing fraud or any similar misdeed against  
20 the credit union;

21 (iv) engaging in inappropriate behavior involving  
22 another person, such as physical or verbal abuse of  
23 another member or an employee of the credit union, while  
24 transacting business with the credit union; or

25 (v) otherwise violating board policy applicable to  
26 members.

1           In maintaining and enforcing a policy based on loss, the  
2 board may consider, without limitation, a member's failure to  
3 pay amounts due under a loan, failure to provide collected  
4 funds to cover withdrawals or personal share drafts or credit  
5 union drafts where the member is a remitter, or failure to pay  
6 fees or charges due the credit union.

7           The policy may delegate the expulsion authority to the  
8 senior management officials of the credit union. If a member  
9 is expelled by a senior management official of the credit  
10 union, the member may, within 30 days after the expulsion,  
11 seek reinstatement by appealing the action in writing to the  
12 board of directors of the credit union. The board may affirm,  
13 disaffirm, or modify the action, and the board's decision is  
14 final. As used in this subsection (4), "senior management  
15 official" includes the chief management officer of the credit  
16 union (including the person holding the title of President or  
17 Chief Executive Officer, or both, or Treasurer/Manager) and  
18 other management officers of the credit union (including,  
19 without limitation, the persons holding the title of Chief  
20 Operating Officer, Chief Financial Officer, Chief  
21 Administrative Officer, Chief Information Officer, Chief  
22 Security Officer, Chief Experience Officer, Chief Legal  
23 Officer, Executive Vice President, Senior Vice President, or  
24 Vice President). This list is an illustrative and not  
25 exhaustive list of management officers that qualify as senior  
26 management officials.

1           If a policy is adopted by the board pursuant to this  
2 subsection (4), the policy shall be distributed not fewer than  
3 30 days before the effective date of the policy by: (i) mailing  
4 it to each member of the credit union at the member's current  
5 address appearing on the records of the credit union; (ii)  
6 electronically delivering it to all members by posting it on  
7 the credit union's website; or (iii) disclosing it to all  
8 members in membership newsletters or account statements. In  
9 addition, new members shall be provided written notice of the  
10 policy prior to or upon applying for membership by using one of  
11 the distribution methods described in this subsection (4).

12           (5) All or any part of the amount paid on shares of a  
13 withdrawing member or expelled member with any declared  
14 dividends or interest on the date of withdrawal or expulsion  
15 must, after deducting all amounts due from the member to the  
16 credit union, be paid to him. The credit union may require not  
17 more than 60 days' written notice of intention to withdraw  
18 shares, but a notice of withdrawal does not entitle the member  
19 to any preferred or prior claim in the event of liquidation.  
20 Withdrawing or expelled members have no further rights in the  
21 credit union, but are not, by withdrawal or expulsion,  
22 released from any obligation they owe to the credit union.

23           (6) A member who has caused a loss to the credit union or  
24 has violated board policy applicable to members may be denied  
25 any or all credit union services in accordance with board  
26 policy, however, members who are denied services shall be

1 allowed to maintain a share account and to vote on all issues  
2 put to a vote of the membership.

3 (7) If a member fails to maintain one fully paid share, the  
4 credit union, at its option, may permit the member to  
5 re-subscribe and pay for one or more shares within 30 days  
6 after the date the member failed to maintain one fully paid  
7 share, without affecting the member's status or rights as a  
8 member during that period. A member that fails to re-subscribe  
9 for at least one fully paid share within the 30-day period  
10 shall be automatically expelled from the credit union and  
11 treated as an expelled member under subsection (5) of this  
12 Section 15.

13 (Source: P.A. 101-567, eff. 8-23-19.)

14 (205 ILCS 305/20) (from Ch. 17, par. 4421)

15 Sec. 20. Election or appointment of officials.

16 (1) The credit union shall be directed by a board of  
17 directors consisting of no less than 7 in number, to be elected  
18 at the annual meeting by and from the members. Directors shall  
19 hold office until the next annual meeting, unless their terms  
20 are staggered. Upon amendment of its bylaws, a credit union  
21 may divide the directors into 2 or 3 classes with each class as  
22 nearly equal in number as possible. The term of office of the  
23 directors of the first class shall expire at the first annual  
24 meeting after their election, that of the second class shall  
25 expire at the second annual meeting after their election, and

1 that of the third class, if any, shall expire at the third  
2 annual meeting after their election. At each annual meeting  
3 after the classification, the number of directors equal to the  
4 number of directors whose terms expire at the time of the  
5 meeting shall be elected to hold office until the second  
6 succeeding annual meeting if there are 2 classes or until the  
7 third succeeding annual meeting if there are 3 classes. A  
8 director shall hold office for the term for which he or she is  
9 elected and until his or her successor is elected and  
10 qualified.

11 (1.5) Except as provided in subsection (1.10), in all  
12 elections for directors, every member has the right to vote,  
13 in person, by proxy, or by electronic record if approved by the  
14 board of directors, the number of shares owned by him, or in  
15 the case of a member other than a natural person, the member's  
16 one vote, for as many persons as there are directors to be  
17 elected, or to cumulate such shares, and give one candidate as  
18 many votes as the number of directors multiplied by the number  
19 of his shares equals, or to distribute them on the same  
20 principle among as many candidates as he may desire and the  
21 directors shall not be elected in any other manner. Shares  
22 held in a joint account owned by more than one member may be  
23 voted by any one of the members, however, the number of  
24 cumulative votes cast may not exceed a total equal to the  
25 number of shares multiplied by the number of directors to be  
26 elected. A majority of the shares entitled to vote shall be

1 represented either in person or by proxy for the election of  
2 directors. Each director shall wholly take and subscribe to an  
3 oath that he will diligently and honestly perform his duties  
4 in administering the affairs of the credit union, that while  
5 he may delegate to another the performance of those  
6 administrative duties he is not thereby relieved from his  
7 responsibility for their performance, that he will not  
8 knowingly violate or permit to be violated any law applicable  
9 to the credit union, and that he is the owner of at least one  
10 share of the credit union.

11 (1.10) Upon amendment of a credit union's bylaws, in all  
12 elections for directors, every member who is a natural person  
13 shall have the right to cast one vote, regardless of the number  
14 of his or her shares, in person, by proxy, or by electronic  
15 record if approved by the board of directors, for as many  
16 persons as there are directors to be elected.

17 (1.15) If the board of directors has adopted a policy  
18 addressing age eligibility standards on voting, holding  
19 office, or petitioning the board, then a credit union may  
20 require (i) that members be at least 18 years of age by the  
21 date of the meeting in order to vote at meetings of the  
22 members, sign nominating petitions, or sign petitions  
23 requesting special meetings, and (ii) that members be at least  
24 18 years of age by the date of election or appointment in order  
25 to hold elective or appointive office.

26 (2) The board of directors shall appoint from among the

1 members of the credit union, a supervisory committee of not  
2 less than 3 members at the organization meeting and within 30  
3 days following each annual meeting of the members for such  
4 terms as the bylaws provide. Members of the supervisory  
5 committee may, but need not be, on the board of directors, but  
6 shall not be officers of the credit union.

7 (3) The board of directors may appoint, from among the  
8 members of the credit union, a credit committee consisting of  
9 an odd number, not less than 3 for such terms as the bylaws  
10 provide. Members of the credit committee may, but need not be,  
11 directors or officers of the credit union.

12 (4) The board of directors may appoint from among the  
13 members of the credit union a membership committee of one or  
14 more persons. If appointed, the committee shall act upon all  
15 applications for membership and submit a report of its actions  
16 to the board of directors at the next regular meeting for  
17 review. If no membership committee is appointed, credit union  
18 management shall act upon all applications for membership and  
19 submit a report of its actions to the board of directors at the  
20 next regular meeting for review.

21 (5) The board of directors may appoint, from among the  
22 members of the credit union, a nominating committee of 3 or  
23 more persons. Members of the nominating committee may, but  
24 need not, be directors or officers of the credit union, but may  
25 not be members of the supervisory committee. The appointment,  
26 if made, shall be made in a timely manner to permit the

1 nominating committee to recruit, evaluate, and nominate  
2 eligible candidates for each position to be filled in the  
3 election of directors or, in the event of a vacancy in office,  
4 to be filled by appointment of the board of directors for the  
5 remainder of the unexpired term of the director creating the  
6 vacancy. Factors the nominating committee may consider in  
7 evaluating prospective candidates include whether a candidate  
8 possesses or is willing to acquire through training the  
9 requisite skills and qualifications to carry out the statutory  
10 duties of a director. The board of directors may delegate to  
11 the nominating committee the recruitment, evaluation, and  
12 nomination of eligible candidates to serve on committees and  
13 in executive officer positions.

14 (6) The board of directors may create one or more other  
15 committees in addition to the committees identified in this  
16 Section and appoint directors or such other persons as the  
17 board designates to serve on the committee or committees. Any  
18 such committee shall serve at the pleasure of the board of  
19 directors and it shall not act on behalf of the credit union or  
20 bind it to any action, but it may make recommendations to the  
21 board of directors.

22 (7) (a) The board of directors may appoint an individual as  
23 a registered agent for the credit union. The name of the  
24 registered agent appointed by the board of directors shall be  
25 identified in the annual report filed by the credit union on  
26 the annual report form supplied by the Department. The

1 business office of the registered agent may, but is not  
2 required to, shall be the same as the principal place of  
3 business of the credit union. Any process, notice, or demand  
4 required or permitted by law to be served upon the credit union  
5 may be served upon the registered agent appointed by the  
6 credit union.

7 (b) A credit union that has appointed a registered agent  
8 shall post on its website the name of its registered agent, the  
9 address of its principal place of business, and that the  
10 appointment was authorized by action of the board of  
11 directors.

12 (c) A credit union that has appointed a registered agent  
13 may change its registered agent at any time by posting on its  
14 website a statement setting forth the following:

- 15 (i) the address of its principal place of business,  
16 (ii) the name of its existing registered agent,  
17 (iii) the name of its successor registered agent, and  
18 (iv) that the change was authorized by action of the  
19 board of directors.

20 (d) A registered agent may resign at any time by  
21 submitting written notice thereof to the credit union at its  
22 principal place of business. The notice shall set forth the  
23 following:

- 24 (i) the name of the credit union for which the  
25 registered agent is acting,  
26 (ii) the address of the principal place of business of

1           the credit union,  
2           (iii) the name of the registered agent,  
3           (iv) that the registered agent is resigning, and  
4           (v) the effective date of the resignation, which shall  
5           not be less than 30 days after the date of filing of the  
6           notice.

7           (8) The use of electronic records for member voting  
8           pursuant to this Section shall employ a security procedure  
9           that meets the attribution criteria set forth in Section 9 of  
10          the Uniform Electronic Transactions Act.

11          (9) As used in this Section, "electronic", "electronic  
12          record", and "security procedure" have the meanings ascribed  
13          to those terms in the Uniform Electronic Transactions Act.

14          (Source: P.A. 102-38, eff. 6-25-21; 102-687, eff. 12-17-21;  
15          102-774, eff. 5-13-22; 102-858, eff. 5-13-22; 103-154, eff.  
16          6-30-23; 103-289, eff. 7-28-23.)

17           (205 ILCS 305/26) (from Ch. 17, par. 4427)

18          Sec. 26. Executive officers.

19          (1) At their first meeting, the board of directors shall  
20          elect from among their own number executive officers  
21          consisting of a chairman of the board and one or more vice  
22          chairmen, a secretary, and a treasurer. The directors shall  
23          appoint a chief management official who shall have such title  
24          as the directors shall determine. The directors and the chief  
25          management official may also appoint one or more vice

1 presidents and other officers. The chief management official,  
2 ~~and~~ vice presidents, and other officers ~~president~~ may, but  
3 need not, be directors. Any two or more offices may be held by  
4 the same person, except the chairman of the board may not also  
5 hold the office of vice chairman or secretary.

6 (2) The executive officers shall serve for a term of one  
7 year, or until their successors are chosen and have been duly  
8 qualified.

9 (3) The duties of the executive officers shall be  
10 prescribed in the bylaws. Compensation of the executive  
11 officers shall be such as may be established by the directors  
12 from time to time.

13 (Source: P.A. 97-133, eff. 1-1-12.)

14 (205 ILCS 305/29) (from Ch. 17, par. 4430)

15 Sec. 29. Meetings of directors.

16 (1) The board of directors and the executive committee  
17 shall meet as often as necessary, but one body must meet at  
18 least monthly and the other at least quarterly, as prescribed  
19 in the bylaws. Unless a greater number is required by the  
20 bylaws, a majority of the whole board of directors shall  
21 constitute a quorum. The act of a majority of the directors  
22 present at a meeting at which a quorum is present shall be the  
23 act of the board of directors unless the act of a greater  
24 number is required by this Act, the credit union's articles of  
25 incorporation or the bylaws.

1           (1.5) Notwithstanding anything to the contrary in  
2 subsection (1), the board of directors of a credit union with a  
3 composite rating of either 1 or 2 under the Uniform Financial  
4 Institutions Rating System known as the CAMELS supervisory  
5 rating system (or an equivalent rating under a comparable  
6 rating system) and a management rating under such composite  
7 rating of either 1 or 2 may meet not less than 6 times  
8 annually, with at least one meeting held during each fiscal  
9 quarter. This meeting frequency schedule shall be available to  
10 an eligible credit union irrespective of whether it has  
11 appointed an executive committee pursuant to Section 28.

12           (1.7) Notwithstanding subsection (1) or (1.5), the board  
13 of directors of a credit union with \$50,000,000 or more in  
14 assets, a composite rating of either 1 or 2 under the Uniform  
15 Financial Institutions Rating System known as the CAMELS  
16 supervisory rating system (or an equivalent rating under a  
17 comparable rating system), and a management rating under the  
18 composite rating of either 1 or 2 may meet no fewer than 4  
19 times annually, with at least one meeting held during each  
20 fiscal quarter. The board of directors of a credit union with  
21 less than \$50,000,000 in assets, but with the composite and  
22 management ratings referenced in this subsection, may meet no  
23 fewer than 4 times annually, with at least one meeting held  
24 during each fiscal quarter, upon prior written approval of the  
25 Secretary. The meeting frequency schedule set forth in this  
26 subsection shall be available to an eligible credit union,

1       irrespective of whether it has appointed an executive  
2       committee pursuant to Section 28.

3           (2) Unless specifically prohibited by the articles of  
4       incorporation or bylaws, directors and committee members may  
5       participate in and act at any meeting of the board or committee  
6       through the use of a conference telephone or other  
7       communications equipment by means of which all persons  
8       participating in the meeting can communicate with each other.  
9       Participation in the meeting shall constitute attendance and  
10      presence in person at the meeting of the person or persons so  
11      participating.

12          (3) Unless specifically prohibited by the articles of  
13      incorporation or bylaws, any action required by this Act to be  
14      taken at a meeting of the board of directors or a committee and  
15      any other action that may be taken at a meeting of the board of  
16      directors or a committee may be taken without a meeting if a  
17      consent in writing setting forth the action taken is signed by  
18      all the directors entitled to vote with respect to the subject  
19      matter thereof, or by all members of the committee, as the case  
20      may be. The consent shall be evidenced by one or more written  
21      approvals, each of which sets forth the action taken and bears  
22      the signatures of one or more directors or committee members.  
23      All the approvals evidencing the consent shall be delivered to  
24      the secretary to be filed in the corporate records of the  
25      credit union. The action taken shall be effective when all the  
26      directors or committee members have approved the consent

1 unless the consent specifies a different effective date. A  
2 consent signed by all the directors or all the members of a  
3 committee shall have the same effect as a unanimous vote, and  
4 may be stated as such in any document filed with the director  
5 under this Act.

6 (3.5)(a) The secretary, as an executive officer of the  
7 credit union elected by the board of directors pursuant to  
8 subsection (1) of Section 26, or a recording secretary duly  
9 appointed by the board of directors to act on behalf of the  
10 secretary, shall prepare and maintain minutes of all meetings  
11 of the members and the board of directors. The secretary or  
12 recording secretary shall sign the minutes for the limited  
13 purpose of authenticating them as an accurate description of  
14 the information presented and action taken at the subject  
15 meeting. The signature shall not constitute approval of the  
16 minutes.

17 (b) The chairman may, but is not required to, sign the  
18 minutes of any such meeting of the membership or board of  
19 directors. In the event the chairman signs the minutes, that  
20 signature shall not constitute approval of the minutes.

21 (c) Pursuant to subsection (1) of Section 27, the board of  
22 directors is charged with and has control over the general  
23 management of the operations, funds, and records of the credit  
24 union, and the minutes, as compliance review documents of the  
25 credit union under paragraph (a) of subsection (4) of this  
26 Section 29, shall only be deemed final and binding upon the

1 approval by a majority vote of the directors present at a  
2 meeting at which a quorum is present, or by unanimous action  
3 without a meeting.

4 (d) Minutes of membership meetings require approval by a  
5 majority of the membership present at a meeting at which a  
6 quorum is present.

7 (4) (a) As used in this subsection:

8 "Affiliate" means an organization established to serve the  
9 needs of credit unions, the business of which relates to the  
10 daily operations of credit unions.

11 "Compliance review documents" means reports, meeting  
12 minutes, and other documents prepared in connection with a  
13 review or evaluation conducted by or for the board of  
14 directors.

15 (b) This subsection applies to the board of directors in  
16 relation to its functions to evaluate and seek to improve any  
17 of the following:

18 (i) loan policies or underwriting standards;

19 (ii) asset quality;

20 (iii) financial reporting to federal or State  
21 governmental or regulatory agencies; or

22 (iv) compliance with federal or State statutory or  
23 regulatory requirements, including, without limitation,  
24 the manner in which it performs its duties under Section  
25 30.

26 (c) Meetings, minutes of meetings, and reports of the

1 board of directors shall be subject to the confidentiality and  
2 redaction standards set forth in this subsection.

3 (d) Except as provided in paragraph (e), compliance review  
4 documents and the deliberations of the board of directors are  
5 confidential. An affiliate of a credit union, a credit union  
6 regulatory agency, and the insurer of credit union share  
7 accounts shall have access to compliance review documents;  
8 however, (i) the documents remain confidential and (ii)  
9 delivery of compliance review documents to an affiliate or  
10 pursuant to the requirements of a credit union regulatory  
11 agency or an insurer of credit union share accounts do not  
12 constitute a waiver of the confidentiality granted in this  
13 Section.

14 (e) This Section does not apply to any civil or  
15 administrative action initiated by a credit union regulatory  
16 agency or an insurer of credit union share accounts.

17 (f) This Section shall not be construed to limit the  
18 discovery or admissibility in any civil action of any  
19 documents, including compliance review documents.

20 (g) Any report required under this Act to be furnished to  
21 the board of directors by the membership committee, credit  
22 committee, or any other committee may be submitted in a  
23 summary format that redacts personally identifiable  
24 information as defined under applicable State and federal law.

25 (h) Compliance review documents may be disclosed by the  
26 Secretary or a credit union to any person or entity to whom

1 confidential supervisory information may be disclosed pursuant  
2 to subsection (3) of Section 9.1.

3 (Source: P.A. 103-289, eff. 7-28-23; 104-403, eff. 1-1-26.)

4 (205 ILCS 305/30) (from Ch. 17, par. 4431)

5 Sec. 30. Duties of directors.

6 (a) It shall be the duty of the directors to:

7 (1) Review actions on applications for membership. A  
8 record of the membership committee's approval or denial of  
9 membership or management's approval or denial of  
10 membership if no membership committee has been appointed  
11 shall be available to the board of directors for  
12 inspection. A person denied membership by the membership  
13 committee or credit union management may appeal the denial  
14 to the board;

15 (2) Provide adequate fidelity bond coverage for  
16 officers, employees, directors and committee members, and  
17 for losses caused by persons outside of the credit union,  
18 subject to rules and regulations promulgated by the  
19 Secretary;

20 (3) Determine from time to time the interest rates,  
21 not in excess of that allowed under this Act, which shall  
22 be charged on loans to members and to authorize interest  
23 refunds, if any, to members from income earned and  
24 received in proportion to the interest paid by them on  
25 such classes of loans and under such conditions as the

1 board prescribes. The directors may establish different  
2 interest rates to be charged on different classes of  
3 loans;

4 (4) Within any limitations set forth in the credit  
5 union's bylaws, fix the maximum amount which may be loaned  
6 with and without security to a member;

7 (5) Declare dividends on various classes of shares in  
8 the manner and form as provided in the bylaws;

9 (6) Limit the number of shares which may be owned by a  
10 member; such limitations to apply alike to all members;

11 (7) Have charge of the investment of funds, except  
12 that the board of directors may designate an investment  
13 committee or any qualified individual or entity to have  
14 charge of making investments under policies established by  
15 the board of directors;

16 (8) Authorize the employment of or contracting with  
17 such persons or organizations as may be necessary to carry  
18 on the operations of the credit union, provided that prior  
19 approval is received from the Department before delegating  
20 substantially all managerial duties and responsibilities  
21 to a credit union organization, and fix the compensation,  
22 if any, of the officers and provide for compensation for  
23 other employees within policies established by the board  
24 of directors;

25 (9) Authorize the conveyance of property;

26 (10) Borrow or lend money consistent with the

1 provisions of this Act;

2 (11) Designate a depository or depositories for the  
3 funds of the credit union and supervise the investment of  
4 funds;

5 (12) Suspend or remove, or both, any or all officers  
6 or any or all members of the membership, credit, or other  
7 committees whenever, in the judgment of the board of  
8 directors, the best interests of the credit union will be  
9 served thereby; provided that members of the supervisory  
10 committee may not be suspended or removed except for  
11 failure to perform their duties; and provided that removal  
12 of any officer shall be without prejudice to the contract  
13 rights, if any, of the person so removed;

14 (13) Appoint any special committees deemed necessary;  
15 and

16 (14) Perform such other duties as the members may  
17 direct, and perform or authorize any action not  
18 inconsistent with this Act and not specifically reserved  
19 by the bylaws to the members.

20 (b) The board of directors may delegate to the chief  
21 management official, according to guidelines established by  
22 the board that may include the authority to further delegate  
23 one or more duties, all of the following duties:

24 (1) determining the interest rates on loans;

25 (2) determining the dividend rates on share accounts;

26 and

1           (3) hiring employees other than the chief management  
2           official, including, without limitation, vice presidents  
3           and other officers, and fixing their title, grade, and  
4           compensation.

5           (c) Each director shall have a working familiarity with  
6           basic finance and accounting practices consistent with the  
7           size and complexity of the credit union operation they serve,  
8           including the ability to read and understand the credit  
9           union's balance sheet and income and expense statements and  
10          the ability to ask, when appropriate, substantive questions of  
11          management and auditors. For the purposes of this subsection  
12          (c), substantive questions include queries concerning  
13          financial services and products offered to the membership; how  
14          those activities generate revenue for the credit union; the  
15          credit, liquidity, interest rate, compliance, strategic,  
16          transaction, and reputation risks associated with those  
17          activities; and the internal control structures maintained by  
18          the credit union that limit and manage those risks.

19          A director who was elected or appointed on or after  
20          January 1, 2015 and who comes to the position without the  
21          requisite financial skills shall have until 6 months after the  
22          date of election or appointment to acquire the enumerated  
23          skills.

24          An incumbent director who was elected or appointed before  
25          January 1, 2015 and does not possess the requisite financial  
26          skills shall have until July 1, 2015 to acquire the enumerated

1 skills.

2 An incumbent director or a director who is elected or  
3 appointed on or after January 1, 2015 who already understands  
4 his or her credit union's financial statements shall not be  
5 required to do anything further to satisfy the financial  
6 skills requirement set forth in subsection (c).

7 It is the intent of the Department that all credit union  
8 directors possess a basic understanding of their credit  
9 union's financial condition. It is not the intent of the  
10 Department to subject credit union directors to examiner  
11 scrutiny of their financial skills. Rather, the Department  
12 shall evaluate whether the credit union has in place a policy  
13 to make available to their directors appropriate training to  
14 enhance their financial knowledge of the credit union.  
15 Directors may receive the training through internal credit  
16 union training, external training offered by the credit  
17 union's retained auditors, trade associations, vendors,  
18 regulatory agencies, or any other sources or on-the-job  
19 experience, or a combination of those activities. The training  
20 may be received through any medium, including, but not limited  
21 to, conferences, workshops, audit closing meetings, seminars,  
22 teleconferences, webinars, and other internet based delivery  
23 channels.

24 (Source: P.A. 97-133, eff. 1-1-12; 98-784, eff. 7-24-14.)

25 (205 ILCS 305/57.3 new)

1           Sec. 57.3. Digital asset services.

2           (a) For purposes of this Section, the terms "covered  
3 person", "digital asset", "digital asset business activity",  
4 and "service provider" have the meanings given to those terms  
5 in the Digital Assets and Consumer Protection Act.

6           (b) A credit union may establish relationships with  
7 covered persons and service providers in connection with the  
8 offering or provision by those covered persons or service  
9 providers of a digital asset business activity to enable the  
10 members of the credit union to hold, buy, and sell digital  
11 assets. The credit union shall have the authority to perform  
12 administrative functions related to digital asset business  
13 activity to facilitate digital asset transactions between its  
14 members and covered persons and service providers.

15           (c) A credit union must exercise appropriate due diligence  
16 in selecting a covered person or service provider with whom to  
17 do business, and the written agreement between the credit  
18 union and covered person or service provider must address:

19           (1) the features of the digital asset program;

20           (2) the responsibilities and duties of the covered  
21 person or service provider and credit union under the  
22 program;

23           (3) the confidentiality, security, disclosure, and  
24 processing of credit union member information;

25           (4) the applicable reporting and termination  
26 provisions; and

1           (5) compliance with the requirements of all applicable  
2           laws.

3           (d) When marketing or advertising digital assets, digital  
4           asset business activities conducted by covered persons or  
5           service providers, and related administrative functions to the  
6           members of the credit union, the members shall be informed  
7           that the digital assets:

8           (1) are not federally insured or insured by any other  
9           insurer approved by the Secretary;

10           (2) are not guaranteed by the credit union;

11           (3) are or may be speculative and volatile;

12           (4) may have associated fees;

13           (5) may not allow member recourse; and

14           (6) are or are not being offered by a third party.

15           (205 ILCS 305/59) (from Ch. 17, par. 4460)

16           Sec. 59. Investment of funds.

17           (a) Funds not used in loans to members may be invested,  
18 pursuant to subsection (7) of Section 30 of this Act, and  
19 subject to Departmental rules and regulations:

20           (1) In securities, obligations or other instruments of  
21 or issued by or fully guaranteed as to principal and  
22 interest by the United States of America or any agency  
23 thereof or in any trust or trusts established for  
24 investing directly or collectively in the same;

25           (2) In obligations of any state of the United States,

1 the District of Columbia, the Commonwealth of Puerto Rico,  
2 and the several territories organized by Congress, or any  
3 political subdivision thereof; however, a credit union may  
4 not invest more than 10% of its unimpaired capital and  
5 surplus in the obligations of one issuer, exclusive of  
6 general obligations of the issuer, and investments in  
7 municipal securities must be limited to securities rated  
8 in one of the 4 highest rating investment grades by a  
9 nationally recognized statistical rating organization;

10 (3) In certificates of deposit or passbook type  
11 accounts issued by a state or national bank, mutual  
12 savings bank or savings and loan association; provided  
13 that such institutions have their accounts insured by the  
14 Federal Deposit Insurance Corporation or the Federal  
15 Savings and Loan Insurance Corporation; but provided,  
16 further, that a credit union's investment in an account in  
17 any one institution may exceed the insured limit on  
18 accounts;

19 (4) In shares, classes of shares or share certificates  
20 of other credit unions, including, but not limited to,  
21 corporate credit unions; provided that such credit unions  
22 have their members' accounts insured by the NCUA or other  
23 approved insurers, and that if the members' accounts are  
24 so insured, a credit union's investment may exceed the  
25 insured limit on accounts;

26 (5) In shares of a cooperative society organized under

1 the laws of this State or the laws of the United States in  
2 the total amount not exceeding 10% of the unimpaired  
3 capital and surplus of the credit union; provided that  
4 such investment shall first be approved by the Department;

5 (6) In obligations of the State of Israel, or  
6 obligations fully guaranteed by the State of Israel as to  
7 payment of principal and interest;

8 (7) In shares, stocks or obligations of other  
9 financial institutions in the total amount not exceeding  
10 5% of the unimpaired capital and surplus of the credit  
11 union;

12 (8) In federal funds and bankers' acceptances;

13 (9) In shares or stocks of Credit Union Service  
14 Organizations in the total amount not exceeding the  
15 greater of 6% of the unimpaired capital and surplus of the  
16 credit union or the amount authorized for federal credit  
17 unions;

18 (10) In corporate bonds identified as investment grade  
19 by at least one nationally recognized statistical rating  
20 organization, provided that:

21 (i) the board of directors has established a  
22 written policy that addresses corporate bond  
23 investment procedures and how the credit union will  
24 manage credit risk, interest rate risk, liquidity  
25 risk, and concentration risk; and

26 (ii) the credit union has documented in its

1 records that a credit analysis of a particular  
2 investment and the issuing entity was conducted by the  
3 credit union, a third party on behalf of the credit  
4 union qualified by education or experience to assess  
5 the risk characteristics of corporate bonds, or a  
6 nationally recognized statistical rating agency before  
7 purchasing the investment and the analysis is updated  
8 at least annually for as long as it holds the  
9 investment;

10 (11) To aid in the credit union's management of its  
11 assets, liabilities, and liquidity in the purchase of an  
12 investment interest in a pool of loans, in whole or in part  
13 and without regard to the membership of the borrowers,  
14 from other depository institutions and financial type  
15 institutions, including mortgage banks, finance companies,  
16 insurance companies, and other loan sellers, subject to  
17 such safety and soundness standards, limitations, and  
18 qualifications as the Department may establish by rule or  
19 guidance from time to time;

20 (12) To aid in the credit union's management of its  
21 assets, liabilities, and liquidity by receiving funds from  
22 another financial institution as evidenced by certificates  
23 of deposit, share certificates, or other classes of shares  
24 issued by the credit union to the financial institution;

25 (13) In the purchase and assumption of assets held by  
26 other financial institutions, with approval of the

1 Secretary and subject to any safety and soundness  
2 standards, limitations, and qualifications as the  
3 Department may establish by rule or guidance from time to  
4 time;

5 (14) In the shares, stocks, or obligations of  
6 community development financial institutions as defined in  
7 regulations issued by the U.S. Department of the Treasury  
8 and minority depository institutions as defined by the  
9 National Credit Union Administration; however the  
10 aggregate amount of all such investments shall not at any  
11 time exceed 5% of the paid-in and unimpaired capital and  
12 surplus of the credit union;

13 (15) (A) In shares, stocks, or member units of  
14 financial technology companies in the total amount not  
15 exceeding 2.5% of the net worth of the credit union, so  
16 long as:

17 (i) the credit union would remain well capitalized  
18 as defined by 12 CFR 702.102 if the credit union  
19 reduced its net worth by the full investment amount at  
20 the time the investment is made or at any point during  
21 the time the investment is held by the credit union;

22 (ii) the credit union and the financial technology  
23 company are operated in a manner that demonstrates to  
24 the public the separate corporate existence of the  
25 credit union and financial technology company; and

26 (iii) the credit union has received a composite

1 rating of 1 or 2 under the CAMELS supervisory rating  
2 system.

3 (B) The investment limit in subparagraph (A) of this  
4 paragraph (15) is increased to 5% of the net worth of the  
5 credit union if it has received a management rating of 1  
6 under the CAMELS supervisory rating system at the time a  
7 specific investment is made and at all times during the  
8 term of the investment. A credit union that satisfies the  
9 criteria in subparagraph (A) of this paragraph (15) and  
10 this subparagraph may request approval from the Secretary  
11 for an exception to the 5% limit up to a limit of 10% of  
12 the net worth of the credit union, subject to such safety  
13 and soundness standards, limitations, and qualifications  
14 as the Department may establish by rule or guidance from  
15 time to time. The request shall be in writing and  
16 substantiate the need for the higher limit, describe the  
17 credit union's record of investment activity, and include  
18 financial statements reflecting a sound fiscal history.

19 (C) Before investing in a financial technology  
20 company, the credit union shall obtain a written legal  
21 opinion as to whether the financial technology company is  
22 established in a manner that will limit potential exposure  
23 of the credit union to no more than the loss of funds  
24 invested in the financial technology company and the legal  
25 opinion shall:

26 (i) address factors that have led courts to

1 "pierce the corporate veil", such as inadequate  
2 capitalization, lack of separate corporate identity,  
3 common boards of directors and employees, control of  
4 one entity over another, and lack of separate books  
5 and records; and

6 (ii) be provided by independent legal counsel of  
7 the credit union.

8 (D) Before investing in the financial technology  
9 company, the credit union shall enter into a written  
10 investment agreement with the financial technology company  
11 and the agreement shall contain the following clauses:

12 (i) the financial technology company will: (I)  
13 provide the Department with access to the books and  
14 records of the financial technology company relating  
15 to the investment made by the credit union, with the  
16 costs of examining those records borne by the credit  
17 union in accordance with the per diem rate established  
18 by the Department by rule; (II) follow generally  
19 accepted accounting principles; and (III) provide the  
20 credit union with its financial statements on at least  
21 a quarterly basis and certified public accountant  
22 audited financial statements on an annual basis; and

23 (ii) the financial technology company and credit  
24 union agree to terminate their contractual  
25 relationship: (I) upon 90 days' written notice to the  
26 parties by the Secretary that the safety and soundness

1 of the credit union is threatened pursuant to the  
2 Department's cease and desist and suspension authority  
3 in Sections 8 and 61; (II) upon 30 days' written notice  
4 to the parties if the credit union's net worth ratio  
5 falls below the level that classifies it as well  
6 capitalized as defined by 12 CFR 702.102; and (III)  
7 immediately upon the parties' receipt of written  
8 notice from the Secretary when the Secretary  
9 reasonably concludes, based upon specific facts set  
10 forth in the notice to the parties, that the credit  
11 union will suffer immediate, substantial, and  
12 irreparable injury or loss if it remains a party to the  
13 investment agreement.

14 (E) The termination of the investment agreement  
15 between the financial technology company and credit union  
16 shall in no way operate to relieve the financial  
17 technology company from repaying the investment or other  
18 obligation due and owing the credit union at the time of  
19 termination.

20 (F) Any financial technology company in which a credit  
21 union invests pursuant to this paragraph (15) that  
22 directly or indirectly originates, purchases, facilitates,  
23 brokers, or services loans to consumers in Illinois shall  
24 not charge an interest rate that exceeds the applicable  
25 maximum rate established by the Board of the National  
26 Credit Union Administration pursuant to 12 CFR

1           701.21(c)(7)(iii)-(iv). The maximum interest rate  
2 described in this subparagraph that may be charged by a  
3 financial technology company applies to all consumer loans  
4 and consumer credit products; ~~and~~

5           (16) In derivatives transactions, to aid in the credit  
6 union's management of interest rate risk. Before entering  
7 into a derivatives transaction, and at all times during  
8 its management of a derivatives transactions program, a  
9 credit union shall satisfy and comply with all the  
10 requirements set forth in 12 CFR 703.101 et seq. All  
11 definitional terms and operational standards shall have  
12 the meanings given to them in 12 CFR 703.101 et seq.,  
13 except references to federal credit unions shall be  
14 construed to mean Illinois-chartered credit unions, and  
15 references to the National Credit Union Administration and  
16 Regional Director shall be respectfully construed to mean  
17 the Department and the Secretary. A credit union with  
18 assets of at least \$500 million and a CAMELS management  
19 component rating of 1 or 2 need not obtain prior approval  
20 from the Department before engaging in derivative  
21 transactions but shall notify the Secretary in writing or  
22 by electronic mail within 5 business days after entering  
23 into its first derivatives transaction; and -

24           (17) In commercial mortgage related securities and  
25 collateralized mortgage obligations to aid in the credit  
26 union's management of its assets, liabilities, and

1       liquidity. Before entering into a transaction to purchase  
2       a commercial mortgage related security or investing in a  
3       collateralized mortgage obligation and at all times during  
4       its management of the purchase or investment, a credit  
5       union shall satisfy and comply with the requirements set  
6       forth in 12 CFR 703.6 and 703.14 and applicable rules  
7       adopted by the Secretary. For the purposes of this  
8       paragraph, all definitional terms and operational  
9       standards shall have the meanings given to them in 12 CFR  
10       703.6 and 703.14, except references to federal credit  
11       unions shall be construed to mean Illinois-chartered  
12       credit unions.

13       (b) As used in this Section:

14       "Political subdivision" includes, but is not limited to,  
15       counties, townships, cities, villages, incorporated towns,  
16       school districts, educational service regions, special road  
17       districts, public water supply districts, fire protection  
18       districts, drainage districts, levee districts, sewer  
19       districts, housing authorities, park districts, and any  
20       agency, corporation, or instrumentality of a state or its  
21       political subdivisions, whether now or hereafter created and  
22       whether herein specifically mentioned or not.

23       "Financial institution" includes any bank, savings bank,  
24       savings and loan association, or credit union established  
25       under the laws of the United States, this State, or any other  
26       state.

1 "Financial technology company" includes any corporation,  
2 partnership, limited liability company, or other entity  
3 organized under the laws of Illinois, another state, or the  
4 United States of America:

5 (1) that the principal business of which is the  
6 provision of financial products or financial services, or  
7 both, that:

8 (i) currently relate or may prospectively relate  
9 to the daily operations of credit unions;

10 (ii) are of current or prospective benefit to the  
11 members of credit unions; or

12 (iii) are of current or prospective benefit to  
13 consumers eligible for membership in credit unions;  
14 and

15 (2) that applies technological interventions,  
16 including, without limitation, specialized software or  
17 algorithm processes, products, or solutions, to improve  
18 and automate the delivery and use of those financial  
19 products or financial services.

20 (c) A credit union investing to fund an employee benefit  
21 plan obligation is not subject to the investment limitations  
22 of this Act and this Section and may purchase an investment  
23 that would otherwise be impermissible if the investment is  
24 directly related to the credit union's obligation under the  
25 employee benefit plan and the credit union holds the  
26 investment only for so long as it has an actual or potential

1 obligation under the employee benefit plan.

2 (d) If a credit union acquires loans from another  
3 financial institution or financial-type institution pursuant  
4 to this Section, the credit union shall be authorized to  
5 provide loan servicing and collection services in connection  
6 with those loans.

7 (Source: P.A. 102-496, eff. 8-20-21; 102-774, eff. 5-13-22;  
8 102-858, eff. 5-13-22; 103-154, eff. 6-30-23; 103-1034, eff.  
9 8-9-24.)

10 Section 99. Effective date. This Act takes effect upon  
11 becoming law.