

AN ACT concerning regulation.

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

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

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

Sec. 15. Membership defined.

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

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

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

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

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

(i) causing a loss to the credit union;

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

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

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

(v) otherwise violating board policy applicable to members.

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

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

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

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

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

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

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

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

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

Sec. 20. Election or appointment of officials.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

the credit union,

(iii) the name of the registered agent,

(iv) that the registered agent is resigning, and

(v) the effective date of the resignation, which shall not be less than 30 days after the date of filing of the notice.

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

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

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

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

Sec. 26. Executive officers.

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

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

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

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

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

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

Sec. 29. Meetings of directors.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) loan policies or underwriting standards;

(ii) asset quality;

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

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

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

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

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

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

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

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

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

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

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

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

Sec. 30. Duties of directors.

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

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

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

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

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

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

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

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

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

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

(9) Authorize the conveyance of property;

(10) Borrow or lend money consistent with the

provisions of this Act;

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

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

(13) Appoint any special committees deemed necessary; and

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

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

(1) determining the interest rates on loans;

(2) determining the dividend rates on share accounts;

and

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

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

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

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

skills.

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

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

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

(205 ILCS 305/57.3 new)

Sec. 57.3. Digital asset services.

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

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

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

(1) the features of the digital asset program;

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

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

(4) the applicable reporting and termination provisions; and

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

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

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

(2) are not guaranteed by the credit union;

(3) are or may be speculative and volatile;

(4) may have associated fees;

(5) may not allow member recourse; and

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

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

Sec. 59. Investment of funds.

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

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

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

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

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

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

(5) In shares of a cooperative society organized under

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

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

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

(8) In federal funds and bankers' acceptances;

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

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

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

(ii) the credit union has documented in its

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

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

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

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

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

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

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

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

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

(iii) the credit union has received a composite

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

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

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

(i) address factors that have led courts to

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

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

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

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

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

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

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

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

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

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

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

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

(b) As used in this Section:

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

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

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

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

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

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

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

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

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

obligation under the employee benefit plan.

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

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

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