

AN ACT concerning regulation.

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

Section 10. The Illinois Credit Union Act is amended by changing Sections 2, 8, 12, 13, 39, and 59 as follows:

(205 ILCS 305/2) (from Ch. 17, par. 4403)

Sec. 2. Organization procedure.

(1) Any 9 or more persons of legal age, the majority of whom shall be residents of the State of Illinois, who have a common bond referred to in Section 1.1 may organize a credit union or a central credit union by complying with this Section.

(2) The subscribers shall execute in duplicate Articles of Incorporation and agree to the terms thereof, which Articles shall state:

(a) The name, which shall include the words "credit union" and which shall not be the same as that of any other existing credit union in this state, and the location where the proposed credit union is to have its principal place of business;

(b) The common bond of the members of the credit union;

(c) The par value of the shares of the credit union,

which must be at least \$1;

(d) The names, addresses and Social Security numbers of the subscribers to the Articles of Incorporation, and the number and the value of shares subscribed to by each;

(e) That the credit union may exercise such incidental powers as are necessary or requisite to enable it to carry on effectively the purposes for which it is incorporated, and those powers which are inherent in the credit union as a legal entity;

(f) That the existence of the credit union shall be perpetual.

(3) The subscribers shall prepare and adopt bylaws for the general governance ~~government~~ of the credit union, consistent with this Act, and execute same in duplicate. If there is a conflict, inconsistency, or variation between the terms of this Act and the provisions in the bylaws adopted by the credit union, the terms of this Act shall control. A conflict, inconsistency, or variation may not be deemed to exist if the Act specifically requires that a particular matter shall be adopted in the bylaws.

(4) The subscribers shall forward the articles of incorporation and the bylaws to the Secretary in duplicate, along with the required charter fee. If they conform to the law, and such rules and regulations as the Secretary and the Director may prescribe, if the Secretary determines that a common bond exists, and that it is economically advisable to

organize the credit union, he or she shall within 60 days issue a certificate of approval attached to the articles of incorporation and return a copy of the bylaws and the articles of incorporation to the applicants or their representative, which shall be preserved in the permanent files of the credit union. The subscribers shall file the certificate of approval, with the articles of incorporation attached, in the office of the recorder (or, if there is no recorder, in the office of the county clerk) of the county in which the credit union is to locate its principal place of business. The recorder or the county clerk, as the case may be, shall accept and record the documents if they are accompanied by the proper fee. When the documents are so recorded, the credit union is incorporated under this Act.

(5) The subscribers for a credit union charter shall not transact any business until the certificate of approval has been received.

(Source: P.A. 100-361, eff. 8-25-17.)

(205 ILCS 305/8) (from Ch. 17, par. 4409)

Sec. 8. Secretary's powers and duties. Credit unions are regulated by the Department. The Secretary in executing the powers and discharging the duties vested by law in the Department has the following powers and duties:

(1) To exercise the rights, powers, and duties set forth in this Act or any related Act. The Director shall

oversee the functions of the Division and report to the Secretary, with respect to the Director's exercise of any of the rights, powers, and duties vested by law in the Secretary under this Act. All references in this Act to the Secretary shall be deemed to include the Director, as a person authorized by the Secretary or this Act to assume responsibility for the oversight of the functions of the Department relating to the regulatory supervision of credit unions under this Act.

(2) To adopt ~~prescribe~~ rules ~~and regulations~~ for the administration of this Act. The provisions of the Illinois Administrative Procedure Act are hereby expressly adopted and incorporated herein as though a part of this Act, and shall apply to all administrative rules and procedures of the Department under this Act. Rules adopted by the Secretary shall be within the statutory authority upon which they are based. If there is a conflict, inconsistency, or variation between the terms of this Act and the provisions in a rule adopted by the Secretary, the terms of this Act shall control. A conflict, inconsistency, or variation may not be deemed to exist if the Act specifically delegates authority to the Secretary to adopt by rule standards or limitations on a particular matter, provided the rule is within the statutory authority upon which it is based.

(3) To direct and supervise all the administrative and

technical activities of the Department including the employment of a Credit Union Supervisor who shall have knowledge in the theory and practice of, or experience in, the operations or supervision of financial institutions, preferably credit unions, and such other persons as are necessary to carry out his functions. The Secretary shall ensure that all examiners appointed or assigned to examine the affairs of State-chartered credit unions possess the necessary training and continuing education to effectively execute their jobs.

(4) To issue cease and desist orders when in the opinion of the Secretary, a credit union is engaged or has engaged, or the Secretary has reasonable cause to believe the credit union is about to engage, in an unsafe or unsound practice, or is violating or has violated or the Secretary has reasonable cause to believe is about to violate a law, rule, or regulation or any condition imposed in writing by the Department.

(5) To suspend from office and to prohibit from further participation in any manner in the conduct of the affairs of any credit union any director, officer, or committee member who has committed any violation of a law, rule, or regulation or of a cease and desist order or who has engaged or participated in any unsafe or unsound practice in connection with the credit union or who has committed or engaged in any act, omission, or practice

which constitutes a breach of his fiduciary duty as such director, officer, or committee member, when the Secretary has determined that such action or actions have resulted or will result in substantial financial loss or other damage that seriously prejudices the interests of the members.

(6) To assess a civil penalty against a credit union provided that:

(A) the Secretary reasonably determines, based on objective facts and an accurate assessment of applicable legal standards, that the credit union has:

(i) committed a violation of this Act, any rule adopted in accordance with this Act, or any order of the Secretary issued pursuant to his or her authority under this Act; or

(ii) engaged or participated in any unsafe or unsound practice;

(B) before a civil penalty is assessed under this item (6), the Secretary must make the further reasonable determination, based on objective facts and an accurate assessment of applicable legal standards, that the credit union's action constituting a violation under subparagraph (i) of paragraph (A) of this item (6) or an unsafe and unsound practice under subparagraph (ii) of paragraph (A) of this item (6):

(i) directly resulted in a substantial and

material financial loss or created a reasonable probability that a substantial and material financial loss will directly result; or

(ii) constituted willful misconduct or a material breach of fiduciary duty of any director, officer, or committee member of the credit union;

Material financial loss, as referenced in this paragraph (B), shall be assessed in light of surrounding circumstances and the relative size and nature of the financial loss or probable financial loss. Certain benchmarks shall be used in determining whether financial loss is material, such as a percentage of total assets or total gross income for the immediately preceding 12-month period. Absent compelling and extraordinary circumstances, no civil penalty shall be assessed, unless the financial loss or probable financial loss is equal to or greater than either 1% of the credit union's total assets for the immediately preceding 12-month period, or 1% of the credit union's total gross income for the immediately preceding 12-month period, whichever is less;

(C) before a civil penalty is assessed under this item (6), the credit union must be expressly advised in writing of the:

(i) specific violation that could subject it to a penalty under this item (6); and

(ii) specific remedial action to be taken within a specific and reasonable time frame to avoid imposition of the penalty;

(D) civil penalties assessed under this item (6) shall be remedial, not punitive, and reasonably tailored to ensure future compliance by the credit union with the provisions of this Act and any rules adopted pursuant to this Act;

(E) a credit union's failure to take timely remedial action with respect to the specific violation may result in the issuance of an order assessing a civil penalty up to the following maximum amount, based upon the total assets of the credit union:

(i) Credit unions with assets of less than \$10 million..... \$1,000

(ii) Credit unions with assets of at least \$10 million and less than \$50 million \$2,500

(iii) Credit unions with assets of at least \$50 million and less than \$100 million \$5,000

(iv) Credit unions with assets of at least \$100 million and less than \$500 million .. \$10,000

(v) Credit unions with assets of at least \$500 million and less than \$1 billion \$25,000

(vi) Credit unions with assets of \$1 billion and greater..... \$50,000; and

(F) an order assessing a civil penalty under this

item (6) shall take effect upon service of the order, unless the credit union makes a written request for a hearing under 38 Ill. Adm. Code 190.20 of the Department's rules for credit unions within 90 days after issuance of the order; in that event, the order shall be stayed until a final administrative order is entered.

This item (6) shall not apply to violations separately addressed in rules as authorized under item (7) of this Section.

(7) Except for the fees established in this Act, to prescribe, by rule and regulation, fees and penalties for preparing, approving, and filing reports and other documents; furnishing transcripts; holding hearings; investigating applications for permission to organize, merge, or convert; failure to maintain accurate books and records to enable the Department to conduct an examination; and taking supervisory actions.

(8) To destroy, in his discretion, any or all books and records of any credit union in his possession or under his control after the expiration of three years from the date of cancellation of the charter of such credit unions.

(9) To make investigations and to conduct research and studies and to publish some of the problems of persons in obtaining credit at reasonable rates of interest and of the methods and benefits of cooperative saving and lending

for such persons.

(10) To authorize, foster, or establish experimental, developmental, demonstration, or pilot projects by public or private organizations including credit unions which:

(a) promote more effective operation of credit unions so as to provide members an opportunity to use and control their own money to improve their economic and social conditions; or

(b) are in the best interests of credit unions, their members and the people of the State of Illinois.

(11) To cooperate in studies, training, or other administrative activities with, but not limited to, the NCUA, other state credit union regulatory agencies and industry trade associations in order to promote more effective and efficient supervision of Illinois chartered credit unions.

(12) Notwithstanding the provisions of this Section, the Secretary shall not:

(1) issue an order against a credit union organized under this Act for unsafe or unsound banking practices solely because the entity provides or has provided financial services to a cannabis-related legitimate business;

(2) prohibit, penalize, or otherwise discourage a credit union from providing financial services to a cannabis-related legitimate business solely because

the entity provides or has provided financial services to a cannabis-related legitimate business;

(3) recommend, incentivize, or encourage a credit union not to offer financial services to an account holder or to downgrade or cancel the financial services offered to an account holder solely because:

(A) the account holder is a manufacturer or producer, or is the owner, operator, or employee of a cannabis-related legitimate business;

(B) the account holder later becomes an owner or operator of a cannabis-related legitimate business; or

(C) the credit union was not aware that the account holder is the owner or operator of a cannabis-related legitimate business; and

(4) take any adverse or corrective supervisory action on a loan made to an owner or operator of:

(A) a cannabis-related legitimate business solely because the owner or operator owns or operates a cannabis-related legitimate business; or

(B) real estate or equipment that is leased to a cannabis-related legitimate business solely because the owner or operator of the real estate or equipment leased the equipment or real estate to a cannabis-related legitimate business.

(Source: P.A. 102-858, eff. 5-13-22; 103-154, eff. 6-30-23.)

(205 ILCS 305/12) (from Ch. 17, par. 4413)

Sec. 12. Regulatory fees.

(1) For the fiscal year beginning July 1, 2007, a credit union regulated by the Department shall pay a regulatory fee to the Department based upon its total assets as shown by its Year-end Call Report at the following rates or at a lesser rate established by the Secretary in a manner proportionately consistent with the following rates and sufficient to fund the actual administrative and operational expenses of the Department's Credit Union Section pursuant to subsection (4) of this Section:

TOTAL ASSETS	REGULATORY FEE
\$25,000 or less	\$100
Over \$25,000 and not over	
\$100,000	\$100 plus \$4 per
	\$1,000 of assets in excess of
	\$25,000
Over \$100,000 and not over	
\$200,000	\$400 plus \$3 per
	\$1,000 of assets in excess of
	\$100,000
Over \$200,000 and not over	
\$500,000	\$700 plus \$2 per
	\$1,000 of assets in excess of

	\$200,000	
Over \$500,000 and not over \$1,000,000	\$1,300 plus \$1.40	per \$1,000 of assets in excess of \$500,000
Over \$1,000,000 and not over \$5,000,000	\$2,000 plus \$0.50	per \$1,000 of assets in excess of \$1,000,000
Over \$5,000,000 and not over \$30,000,000	\$4,540 plus \$0.397	per \$1,000 of assets in excess of \$5,000,000
Over \$30,000,000 and not over \$100,000,000	\$14,471 plus \$0.34	per \$1,000 of assets in excess of \$30,000,000
Over \$100,000,000 and not over \$500,000,000	\$38,306 plus \$0.17	per \$1,000 of assets in excess of \$100,000,000
Over \$500,000,000	\$106,406 plus \$0.056	per \$1,000 of assets in excess of \$500,000,000

(2) The Secretary shall review the regulatory fee schedule in subsection (1) and the projected earnings on those fees on

an annual basis and adjust the fee schedule no more than 5% annually if necessary to defray the estimated administrative and operational expenses of the Credit Union Section of the Department as defined in subsection (5). However, the fee schedule shall not be increased if the amount remaining in the Credit Union Fund at the end of any fiscal year is greater than 25% of the total actual and operational expenses incurred by the State in administering and enforcing the Illinois Credit Union Act and other laws, rules, and regulations as may apply to the administration and enforcement of the foregoing laws, rules, and regulations as amended from time to time for the preceding fiscal year. The regulatory fee for the next fiscal year shall be calculated by the Secretary based on the credit union's total assets as of December 31 of the preceding calendar year. The Secretary shall provide credit unions with written notice of any adjustment made in the regulatory fee schedule.

(3) A credit union shall pay to the Department a regulatory fee in quarterly installments equal to one-fourth of the regulatory fee due in accordance with the regulatory fee schedule in subsection (1), on the basis of assets as of the Year-end Call Report of the preceding calendar year. The total annual regulatory fee shall not be less than \$100 or more than \$210,000, provided that the regulatory fee cap of \$210,000 shall be adjusted to incorporate the same percentage increase as the Secretary makes in the regulatory fee schedule

from time to time under subsection (2). No regulatory fee shall be collected from a credit union until it has been in operation for one year. The regulatory fee shall be billed to credit unions on a quarterly basis and it shall be payable by credit unions on the due date for the Call Report for the subject quarter.

(4) (a) The aggregate of all fees collected by the Department under this Act and from credit unions pursuant to the Illinois Community Reinvestment Act shall be paid promptly after they are received, accompanied by a detailed statement thereof, into the State treasury ~~Treasury~~ and shall be set apart in the Credit Union Fund, a special fund hereby created in the State treasury. The amount from time to time deposited in the Credit Union Fund and shall be used to offset the ordinary administrative and operational expenses of the Credit Union Section of the Department under this Act. All earnings received from investments of funds in the Credit Union Fund shall be deposited into the Credit Union Fund and may be used for the same purposes as fees deposited into that fund. Moneys deposited in the Credit Union Fund may be transferred to the Professions Indirect Cost Fund, as authorized under Section 2105-300 of the Department of Professional Regulation Law of the Civil Administrative Code of Illinois.

(b) At the conclusion of each fiscal year, beginning in fiscal year 2025, the Department shall separately identify the direct administrative and operational expenses and allocable

indirect costs of the Credit Union Section of the Department incidental to conducting the examinations required or authorized by the Illinois Community Reinvestment Act and implementing rules adopted by the Department. Pursuant to Section 2105-300 of the Department of Professional Regulation Law of the Civil Administrative Code of Illinois, the Department shall make copies of the analyses available to the credit union industry in a timely manner. The administrative and operational expenses of the Credit Union Section of the Department in conducting examinations required or authorized by the Illinois Community Reinvestment Act shall have the same meaning and scope as the administrative and operational expenses of the Credit Union Section of the Department, as defined in subsection (5) of this Section.

(c) Notwithstanding provisions in the State Finance Act, as now or hereafter amended, or any other law to the contrary, the Governor may, during any fiscal year through January 10, 2011, from time to time direct the State Treasurer and Comptroller to transfer a specified sum not exceeding 10% of the revenues to be deposited into the Credit Union Fund during that fiscal year from that Fund to the General Revenue Fund in order to help defray the State's operating costs for the fiscal year. Notwithstanding provisions in the State Finance Act, as now or hereafter amended, or any other law to the contrary, the total sum transferred from the Credit Union Fund to the General Revenue Fund pursuant to this provision shall

not exceed during any fiscal year 10% of the revenues to be deposited into the Credit Union Fund during that fiscal year. The State Treasurer and Comptroller shall transfer the amounts designated under this Section as soon as may be practicable after receiving the direction to transfer from the Governor.

(5) The administrative and operational expenses for any fiscal year shall mean the ordinary and contingent expenses for that year incidental to making the examinations provided for by, and for administering, this Act, including all salaries and other compensation paid for personal services rendered for the State by officers or employees of the State to enforce this Act; all expenditures for telephone and telegraph charges, postage and postal charges, office supplies and services, furniture and equipment, office space and maintenance thereof, travel expenses and other necessary expenses; all to the extent that such expenditures are directly incidental to such examination or administration.

(6) When the balance in the Credit Union Fund at the end of a fiscal year exceeds 25% of the total administrative and operational expenses incurred by the State in administering and enforcing the Illinois Credit Union Act and other laws, rules, and regulations as may apply to the administration and enforcement of the foregoing laws, rules, and regulations as amended from time to time for that fiscal year, such excess shall be credited to credit unions and applied against their regulatory fees for the subsequent fiscal year. The amount

credited to each credit union shall be in the same proportion as the regulatory fee paid by such credit union for the fiscal year in which the excess is produced bears to the aggregate amount of all fees collected by the Department under this Act for the same fiscal year.

(7) (Blank).

(8) Nothing in this Act shall prohibit the General Assembly from appropriating funds to the Department from the General Revenue Fund for the purpose of administering this Act.

(9) For purposes of this Section, "fiscal year" means a period beginning on July 1 of any calendar year and ending on June 30 of the next calendar year.

(Source: P.A. 103-107, eff. 6-27-23.)

(205 ILCS 305/13) (from Ch. 17, par. 4414)

Sec. 13. General powers. A credit union may:

(1) Make contracts; sue and be sued; and adopt and use a common seal and alter the same;

(2) Acquire, lease (either as lessee or lessor), hold, pledge, mortgage, sell and dispose of real property, either in whole or in part, or any interest therein, as may be necessary or incidental to its present or future operations and needs, subject to such limitations as may be imposed thereon in rules and regulations promulgated by the Secretary; acquire, lease (either as lessee or

lessor), hold, pledge, mortgage, sell and dispose of personal property, either in whole or in part, or any interest therein, as may be necessary or incidental to its present or future operations and needs;

(3) At the discretion of the board of directors, require the payment of an entrance fee or annual membership fee, or both, of any person admitted to membership;

(4) Receive savings from its members in the form of shares of various classes, or special purpose share accounts; act as custodian of its members' accounts; issue shares in trust as provided in this Act;

(5) Lend its funds to its members and otherwise as hereinafter provided;

(6) Borrow from any source in accordance with policy established by the board of directors to a maximum of 50% of capital, surplus and reserves;

(7) Discount and sell any obligations owed to the credit union;

(8) Honor requests for withdrawals or transfers of all or any part of member share accounts, and any classes thereof, in any manner approved by the credit union board of directors;

(9) Sell all or a part of its assets or purchase all or a part of the assets of another credit union and assume the liabilities of the selling credit union, subject to the

prior approval of the Director, which approval shall not be required in the case of loan transactions otherwise authorized under applicable law;

(10) Invest surplus funds as provided in this Act;

(11) Make deposits in banks, savings banks, savings and loan associations, trust companies; and invest in shares, classes of shares or share certificates of other credit unions;

(12) Assess charges and fees to members in accordance with board resolution;

(13) Hold membership in and pay dues to associations and organizations; to invest in shares, stocks or obligations of any credit union organization;

(14) Declare dividends and pay interest refunds to borrowers as provided in this Act;

(15) Collect, receive and disburse monies in connection with providing negotiable checks, money orders and other money-type instruments, and for such other purposes as may provide benefit or convenience to its members, and charge a reasonable fee for such services;

(16) Act as fiscal agent for and receive deposits from the federal government, this State, or any other state, ~~state~~ or any agency or political subdivision thereof, including, but not limited to, political subdivisions as defined in subsection (b) of Section 59. The receipt of deposits from any state other than Illinois, or any agency

or political subdivision thereof, shall not exceed the total limit of the greater of 50% of paid-in and unimpaired capital and surplus or \$3,000,000 as described in 12 CFR 701.32 and shall otherwise comply with the requirements of 12 CFR 701.32;

(17) Receive savings from nonmembers in the form of shares or share accounts in the case of credit unions serving predominantly low-income members. The term "low income members" shall mean those members who make less than 80% of the average for all wage earners as established by the Bureau of Labor Statistics or those members whose annual household income falls at or below 80% of the median household income for the nation as established by the Census Bureau. The term "predominantly" is defined as a simple majority;

(18) Establish, maintain, and operate terminals as authorized by the Electronic Fund Transfer Act;

(19) Subject to Article XLIV of the Illinois Insurance Code, act as the agent for any fire, life, or other insurance company authorized by the State of Illinois, by soliciting and selling insurance and collecting premiums on policies issued by such company; and may receive for services so rendered such fees or commissions as may be agreed upon between the said credit union and the insurance company for which it may act as agent; provided, however, that no such credit union shall in any case

assume or guarantee the payment of any premium on insurance policies issued through its agency by its principal; and provided further, that the credit union shall not guarantee the truth of any statement made by an assured in filing his application for insurance; and

(20) Make reasonable contributions to civic, charitable, or service organizations not organized for profit; religious corporations; and fundraisers benefiting persons in the credit union's service area.

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

(205 ILCS 305/39) (from Ch. 17, par. 4440)

Sec. 39. Special purpose share accounts; charitable donation accounts.

(1) If provided for in and consistent with the bylaws, Christmas clubs, vacation clubs and other special purpose share accounts may be established and offered under conditions and restrictions established by the board of directors.

(2) Pursuant to a policy adopted by the board of directors, which may be amended from time to time, a credit union may establish one or more charitable donation accounts. The investments and purchases to fund a charitable donation account are not subject to the investment limitations of this Act, provided the charitable donation account is structured in accordance with this Act. At their time of purchase, the book value of the investments in all charitable donation accounts,

in the aggregate, shall not exceed 5% of the credit union's net worth.

(a) If a credit union chooses to establish a charitable donation account using a trust vehicle, the trustee must be an entity regulated by the Office of the Comptroller of the Currency, the U.S. Securities and Exchange Commission, another federal regulatory agency, or a State financial regulatory agency. A regulated trustee or other person who is authorized to make investment decisions for a charitable donation account, other than the credit union itself, shall either be registered with the U.S. Securities and Exchange Commission as an investment advisor or regulated by the Office of the Comptroller of the Currency.

(b) The parties to the charitable donation account must document the terms and conditions controlling the account in a written operating agreement, trust agreement, or similar instrument. The terms of the agreement shall be consistent with the requirements and conditions set forth in this Section. The agreement, if applicable, and policies must document the investment strategies of the charitable donation account trustee or other manager in administering the charitable donation account and provide for the accounting of all aspects of the account, including its distributions and liquidation, in accordance with generally accepted accounting principles.

(c) A credit union's charitable donation account agreement, if applicable, and policies shall provide that the charitable organization or non-profit entity recipients of any charitable donation account funds must be identified in the policy and be exempt from taxation under Section 501(c)(3) or Section 501(c)(19) of the Internal Revenue Code.

(d) Upon termination of a charitable donation account, the credit union may receive a distribution of the remaining assets in cash, or a distribution in kind of the remaining assets, but only if those assets are permissible investments for credit unions pursuant to this Act.

(3) Pursuant to subsection (20) of Section 13 authorizing a credit union to make reasonable contributions to civic, charitable, service, or religious corporations and to avoid the cost, administrative expenses, and reporting requirements associated with establishing its own private foundation, a credit union may establish one or more donor-advised fund accounts. The credit union shall maintain the account on its books and records under a name it selects, which may identify the account as a charitable or grant fund or other name that reflects the charitable nature of the account. The account shall be subject to the terms and restrictions set forth in this subsection.

(a) Transfers from a donor-advised fund account shall be limited to foundations exempt from taxation under

Section 501(c)(3) of the Internal Revenue Code.

(b) Distributions by a foundation receiving donor-advised funds from the credit union shall be:

(i) based upon specific grant recommendations of the credit union; and

(ii) limited to public charities exempt from taxation under Section 501(c)(3) of the Internal Revenue Code.

(c) Transfers by a credit union from its donor-advised fund account to a foundation irrevocably conveys all right, title, and interest in the funds to the foundation, subject only to the continuing right of the credit union to designate the entity or entities that will receive the grant funds. Grants may not be used to satisfy any obligation of the credit union and no goods or services may be received by the credit union from the recipient organization in consideration of the grant.

(Source: P.A. 102-774, eff. 5-13-22.)

(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; ~~and~~

(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 ~~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.

(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.)

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