

IN THE SENATE

SENATE BILL NO. 1285

BY COMMERCE AND HUMAN RESOURCES COMMITTEE

AN ACT

1 RELATING TO CREDIT UNIONS; REPEALING SECTION 26-2113, IDAHO CODE, RELATING  
2 TO MEETINGS; AMENDING CHAPTER 21, TITLE 26, IDAHO CODE, BY THE ADDITION  
3 OF A NEW SECTION 26-2113, IDAHO CODE, TO ESTABLISH PROVISIONS REGARDING  
4 MEMBER VOTING; AMENDING CHAPTER 21, TITLE 26, IDAHO CODE, BY THE AD-  
5 DITION OF A NEW SECTION 26-2113A, IDAHO CODE, TO ESTABLISH PROVISIONS  
6 REGARDING ANNUAL MEMBERSHIP MEETINGS; AMENDING CHAPTER 21, TITLE 26,  
7 IDAHO CODE, BY THE ADDITION OF A NEW SECTION 26-2113B, IDAHO CODE, TO  
8 ESTABLISH PROVISIONS REGARDING SPECIAL MEMBERSHIP MEETINGS; REPEALING  
9 SECTION 26-2114, IDAHO CODE, RELATING TO OFFICIALS; AMENDING CHAPTER  
10 21, TITLE 26, IDAHO CODE, BY THE ADDITION OF A NEW SECTION 26-2114, IDAHO  
11 CODE, TO ESTABLISH PROVISIONS REGARDING THE BOARD OF DIRECTORS; AMEND-  
12 ING CHAPTER 21, TITLE 26, IDAHO CODE, BY THE ADDITION OF A NEW SECTION  
13 26-2114A, IDAHO CODE, TO ESTABLISH PROVISIONS REGARDING CERTAIN QUAL-  
14 IFICATIONS; AMENDING CHAPTER 21, TITLE 26, IDAHO CODE, BY THE ADDITION  
15 OF A NEW SECTION 26-2114B, IDAHO CODE, TO ESTABLISH PROVISIONS REGARD-  
16 ING FIDUCIARY DUTY; REPEALING SECTION 26-2115, IDAHO CODE, RELATING TO  
17 OFFICERS; AMENDING CHAPTER 21, TITLE 26, IDAHO CODE, BY THE ADDITION OF  
18 A NEW SECTION 26-2115, IDAHO CODE, TO ESTABLISH PROVISIONS REGARDING  
19 OFFICERS; REPEALING SECTION 26-2116, IDAHO CODE, RELATING TO THE BOARD  
20 OF DIRECTORS; AMENDING CHAPTER 21, TITLE 26, IDAHO CODE, BY THE ADDITION  
21 OF A NEW SECTION 26-2116, IDAHO CODE, TO ESTABLISH PROVISIONS REGARDING  
22 THE BOARD OF DIRECTORS; REPEALING SECTION 26-2118, IDAHO CODE, RELATING  
23 TO A CREDIT COMMITTEE; AMENDING CHAPTER 21, TITLE 26, IDAHO CODE, BY  
24 THE ADDITION OF A NEW SECTION 26-2118, IDAHO CODE, TO ESTABLISH PROVI-  
25 SIONS REGARDING A CREDIT COMMITTEE; REPEALING SECTION 26-2121, IDAHO  
26 CODE, RELATING TO A SUPERVISORY COMMITTEE; AMENDING CHAPTER 21, TITLE  
27 26, IDAHO CODE, BY THE ADDITION OF A NEW SECTION 26-2121, IDAHO CODE,  
28 TO ESTABLISH PROVISIONS REGARDING A SUPERVISORY COMMITTEE; AMENDING  
29 CHAPTER 21, TITLE 26, IDAHO CODE, BY THE ADDITION OF A NEW SECTION  
30 26-2121A, IDAHO CODE, TO ESTABLISH PROVISIONS REGARDING THE DUTIES OF  
31 A SUPERVISORY COMMITTEE; AMENDING CHAPTER 21, TITLE 26, IDAHO CODE,  
32 BY THE ADDITION OF A NEW SECTION 26-2121B, IDAHO CODE, TO ESTABLISH  
33 PROVISIONS REGARDING SUSPENSION OF MEMBERS OF THE BOARD OF DIRECTORS;  
34 AMENDING CHAPTER 21, TITLE 26, IDAHO CODE, BY THE ADDITION OF A NEW SEC-  
35 TION 26-2121C, IDAHO CODE, TO ESTABLISH PROVISIONS REGARDING CERTAIN  
36 SUSPENSIONS; AMENDING CHAPTER 21, TITLE 26, IDAHO CODE, BY THE ADDITION  
37 OF A NEW SECTION 26-2121D, IDAHO CODE, TO ESTABLISH PROVISIONS REGARD-  
38 ING REMOVAL OF A DIRECTOR OR SUPERVISORY COMMITTEE MEMBER; AND AMENDING  
39 CHAPTER 21, TITLE 26, IDAHO CODE, BY THE ADDITION OF A NEW SECTION  
40 26-2156, IDAHO CODE, TO ESTABLISH PROVISIONS REGARDING BOND COVERAGE.  
41

42 Be It Enacted by the Legislature of the State of Idaho:

1 SECTION 1. That Section 26-2113, Idaho Code, be, and the same is hereby  
2 repealed.

3 SECTION 2. That Chapter 21, Title 26, Idaho Code, be, and the same is  
4 hereby amended by the addition thereto of a NEW SECTION, to be known and des-  
5 ignated as Section 26-2113, Idaho Code, and to read as follows:

6 26-2113. MEMBER VOTING. (1) No member may have more than one (1) vote.  
7 A natural person may not hold more than one (1) membership in a credit union  
8 on behalf of himself or herself. An organization having membership in a  
9 credit union may cast one (1) vote through a natural person agent authorized  
10 in accordance with any requirements of the credit union.

11 (2) Members may vote, as prescribed in the credit union's bylaws, by  
12 mail ballot, absentee ballot, or other methods, which may include electronic  
13 methods. However, no member may vote by proxy.

14 (3) A member who is not at least eighteen (18) years of age is not eli-  
15 gible to vote as a member unless otherwise provided in the credit union's by-  
16 laws.

17 SECTION 3. That Chapter 21, Title 26, Idaho Code, be, and the same is  
18 hereby amended by the addition thereto of a NEW SECTION, to be known and des-  
19 ignated as Section 26-2113A, Idaho Code, and to read as follows:

20 26-2113A. ANNUAL MEMBERSHIP MEETINGS. (1) A credit union's annual  
21 membership meeting shall be held in the community of its principal place of  
22 business within this state, at such time as the bylaws prescribe, and shall  
23 be conducted according to the rules of procedure approved by the board. The  
24 director may, upon written request of a credit union's board of directors,  
25 authorize a credit union's annual membership meeting to be held outside of  
26 the community of its principal place of business. Written requests from  
27 the credit union's board of directors shall not include holding the credit  
28 union's annual meeting outside the state of Idaho unless a majority of the  
29 credit union's membership resides in another state.

30 (2) Notice of the annual membership meetings of a credit union shall be  
31 given as provided in the bylaws of the credit union.

32 SECTION 4. That Chapter 21, Title 26, Idaho Code, be, and the same is  
33 hereby amended by the addition thereto of a NEW SECTION, to be known and des-  
34 ignated as Section 26-2113B, Idaho Code, and to read as follows:

35 26-2113B. SPECIAL MEMBERSHIP MEETINGS. (1) A special membership meet-  
36 ing of a credit union may be called by:

- 37 (a) A majority vote of the board;  
38 (b) A majority vote of the supervisory committee to suspend a director  
39 for cause; or  
40 (c) A written petition signed or similarly authenticated by at least  
41 ten percent (10%) or two thousand (2,000) of the members of a credit  
42 union, whichever is less.

43 (2) Call of a special membership meeting of a credit union shall be in  
44 writing submitted to the secretary of the credit union by the board, the  
45 petitioners or the supervisory committee as applicable and, shall state

1 specifically the purpose or purposes for which the meeting is called and the  
2 agenda item or items for consideration by the members at the meeting. If  
3 the special membership meeting is called for the removal of one (1) or more  
4 directors or supervisory committee members, the call shall state the name of  
5 each individual whose removal is sought.

6 (3) (a) On receipt of a call for a special membership meeting, the sec-  
7 retary of the credit union shall determine whether the call satisfies  
8 the requirements of this section. If so, the secretary shall determine  
9 a reasonable date, time, and place at which the special membership meet-  
10 ing will be held and provide notice of the special membership meeting in  
11 accordance with the requirements of this subsection. The special mem-  
12 bership meeting must be held at a reasonable location within the county  
13 in which the principal place of business of the credit union is located,  
14 unless provided otherwise in the bylaws. The special membership meet-  
15 ing must be held no later than sixty (60) days after the date on which the  
16 call is received by the secretary.

17 (b) The secretary shall give notice of the special membership meeting  
18 at least thirty (30) days before the date of the meeting, or within such  
19 other reasonable time period as may be provided in the bylaws. The no-  
20 tice must state the purpose or purposes for which the special membership  
21 meeting is called and the agenda items for the meeting. If the special  
22 membership meeting is called for the removal of one (1) or more direc-  
23 tors or supervisory committee members, the notice must state the name of  
24 each individual whose removal is sought.

25 (4) Except as provided in this subsection, the chairperson of the board  
26 shall preside over special membership meetings. If the purpose of the spe-  
27 cial membership meeting includes the removal of the chairperson, the next  
28 highest-ranking board officer whose removal is not sought shall preside over  
29 the meeting. If the removal of all board officers is sought, the chairperson  
30 of the supervisory committee shall preside over the special membership meet-  
31 ing.

32 (5) At the special membership meeting, only those agenda items that are  
33 stated in the notice for the meeting may be considered.

34 (6) Special membership meetings shall be conducted according to the  
35 rules of procedure set forth in the bylaws. If the bylaws do not specify  
36 the rules of procedure that shall govern a special membership meeting, the  
37 special membership meeting shall be conducted according to the rules of pro-  
38 cedure approved by the board.

39 SECTION 5. That Section [26-2114](#), Idaho Code, be, and the same is hereby  
40 repealed.

41 SECTION 6. That Chapter 21, Title 26, Idaho Code, be, and the same is  
42 hereby amended by the addition thereto of a NEW SECTION, to be known and des-  
43 ignated as Section 26-2114, Idaho Code, and to read as follows:

44 26-2114. BOARD OF DIRECTORS -- ELECTION OF DIRECTORS -- TERMS -- VA-  
45 CANCIES -- MEETINGS -- RULES. (1) The business and affairs of a credit union  
46 shall be managed by a board of no fewer than five (5) and no more than fifteen  
47 (15) directors.

1 (2) The directors must be elected by and from the membership in con-  
2 junction with the credit union's annual membership meeting. They shall hold  
3 their offices until their successors are elected or appointed.

4 (3) Directors shall be elected to terms of between one (1) and three (3)  
5 years, as provided in the bylaws. If the terms are longer than one (1) year,  
6 the directors must be divided into classes, and an equal number of directors,  
7 as nearly as possible, must be elected each year.

8 (4) Except as provided in subsection (5) of this section, any vacancy on  
9 the board must be filled by an interim director appointed by the board, un-  
10 less the interim director would serve a term of fewer than ninety (90) days.  
11 Interim directors appointed to fill vacancies created by expansion of the  
12 board will serve until the next annual meeting of members. Other interim di-  
13 rectors will serve out the unexpired term of the former director, unless pro-  
14 vided otherwise in the credit union's bylaws.

15 (5) In the case of a merger between two (2) credit unions pursuant to  
16 section 26-2132, Idaho Code, a board member of the merging credit union may  
17 continue to serve as a board member of the continuing credit union for a pe-  
18 riod not to exceed the equivalent of the duration of his or her unexpired term  
19 on the board of the merging credit union, provided that the approved plan of  
20 merger or other agreement approved by the director provides for such service  
21 on the continuing credit union's board, with a corresponding expansion in  
22 the size of the continuing credit union's board not to exceed the limits un-  
23 der subsection (1) of this section.

24 (6) (a) The board must have at least six (6) regular meetings each year  
25 with at least one (1) of these meetings held in each calendar quarter.  
26 The board meetings must be held in the community of the credit union's  
27 principal place of business within this state. The director may, upon  
28 written request of a credit union's board of directors, authorize a  
29 credit union's board meetings to be held at another location. Written  
30 requests from the credit union's board of directors shall not include  
31 holding the credit union's board meeting outside the state of Idaho  
32 unless a majority of the credit union's membership resides in another  
33 state.

34 (b) The director may require the board to meet more frequently than six  
35 (6) times per year if the director finds it necessary in order to address  
36 matters the director determines necessitate more frequent meetings in-  
37 cluding, without limitation, evidence of any of the following:

38 (i) The credit union's current composite capital, asset, manage-  
39 ment, earnings, liquidity, and sensitivity (CAMELS) rating issued  
40 by the director is a "3," "4" or "5";

41 (ii) The credit union's current management component CAMELS rat-  
42 ing issued by the director is a "3," "4" or "5";

43 (iii) The credit union's net worth ratio is less than seven percent  
44 (7%);

45 (iv) The credit union is currently in a troubled condition;

46 (v) In the judgment of the director, the credit union has commit-  
47 ted an unsafe or unsound practice that has not been corrected to  
48 the satisfaction of the director and that continues to be a concern  
49 to the director, or the credit union is about to commit an unsafe or  
50 unsound practice; or

1 (vi) The credit union has been notified in writing by the director  
2 of a significant supervisory or financial concern.

3 (c) If the director determines, as set forth in paragraph (b) of this  
4 subsection, that a board of directors must meet more frequently than as  
5 set forth in paragraph (a) of this subsection, the director will send  
6 written notice to the board chair, with a copy to the credit union's  
7 manager, setting forth the director's findings underlying the determi-  
8 nation and the required frequency of the board of directors' meetings.  
9 This notice will remain in effect until rescinded in writing by the di-  
10 rector.

11 SECTION 7. That Chapter 21, Title 26, Idaho Code, be, and the same is  
12 hereby amended by the addition thereto of a NEW SECTION, to be known and des-  
13 ignated as Section 26-2114A, Idaho Code, and to read as follows:

14 26-2114A. BOARD MEMBERS -- QUALIFICATIONS. (1) A member of the board  
15 of directors must be a natural person and a member of the credit union. If a  
16 member of the board of directors ceases to be a member of the credit union,  
17 that person's service as a member of the board of directors shall terminate  
18 effective on termination of membership in the credit union.

19 (2) (a) If a member of the board of directors is absent from more than  
20 one-fourth (1/4) of the regular board meetings in any twelve (12) month  
21 period without being reasonably excused by the board, the member shall  
22 no longer serve on the board of directors.

23 (b) The board shall determine whether a member of the board is excluded  
24 from service pursuant to paragraph (a) of this subsection. After such  
25 determination has been made, the board secretary shall promptly notify  
26 the member of the board that such member shall no longer serve on the  
27 board. Failure to provide notice does not affect the termination of the  
28 member's service under paragraph (a) of this subsection.

29 (3) A member of the board of directors must meet any qualification re-  
30 quirements set forth in the credit union's bylaws. If the board determines  
31 that a member fails to meet such requirements, the member shall no longer  
32 serve on the board.

33 (4) The operating officers and employees of the credit union may not  
34 serve as members of the board of directors of the credit union.

35 SECTION 8. That Chapter 21, Title 26, Idaho Code, be, and the same is  
36 hereby amended by the addition thereto of a NEW SECTION, to be known and des-  
37 ignated as Section 26-2114B, Idaho Code, and to read as follows:

38 26-2114B. OFFICIALS -- FIDUCIARY DUTY -- RELIANCE ON INFORMATION. (1)  
39 Officials owe a fiduciary duty to the credit union and must discharge the du-  
40 ties of their respective positions:

41 (a) In good faith;

42 (b) With the care an ordinarily prudent person in a like position would  
43 exercise under similar circumstances; and

44 (c) In a manner the official reasonably believes to be in the best in-  
45 terests of the credit union.

1 (2) In discharging the duties of an official, the official is entitled  
2 to rely on information, opinions, reports, or statements, including finan-  
3 cial statements and other financial data, if prepared or presented by:

4 (a) One (1) or more officers or employees of the credit union whom the  
5 official reasonably believes to be reliable and competent in the mat-  
6 ters presented;

7 (b) Legal counsel, public accountants or other persons as to matters  
8 the official reasonably believes are within the person's professional  
9 or expert competence; or

10 (c) A committee of the board of directors or supervisory committee of  
11 which the official is not a member if the official reasonably believes  
12 the committee merits confidence.

13 (3) An official is not acting in good faith if the official has knowl-  
14 edge concerning the matter in question that makes reliance otherwise permit-  
15 ted by subsection (2) of this section unwarranted.

16 (4) An official is not liable for any action taken as a director, or any  
17 failure to take any action, if the director performed the duties of the di-  
18 rector's office in compliance with this section.

19 (5) As used in this section, "official" means a member of the board of  
20 directors, board officer, supervisory committee member or senior operating  
21 officer of the credit union.

22 SECTION 9. That Section [26-2115](#), Idaho Code, be, and the same is hereby  
23 repealed.

24 SECTION 10. That Chapter 21, Title 26, Idaho Code, be, and the same is  
25 hereby amended by the addition thereto of a NEW SECTION, to be known and des-  
26 ignated as Section 26-2115, Idaho Code, and to read as follows:

27 26-2115. OFFICERS. (1) Within ten (10) days following the organiza-  
28 tional meeting and after each annual membership meeting, the board shall  
29 elect from among its members a chair of the board, one (1) or more than one (1)  
30 vice-chair and a secretary. The board shall also elect other board officers  
31 as provided for in the credit union's bylaws for transacting the business of  
32 the board of the credit union. The terms of the board officers shall be one  
33 (1) year or until their successors are qualified and elected, unless sooner  
34 removed as provided in this chapter. All board officers must be elected  
35 members of the board.

36 (2) The chair and secretary shall execute a certificate of election on  
37 a form approved by the department of finance, which certificate shall set  
38 forth the names and addresses of the officers, members of the board of di-  
39 rectors and committee members elected or appointed. One (1) copy of the cer-  
40 tificate of election shall be filed with the department of finance within ten  
41 (10) days after such election or appointment.

42 (3) The board may designate as many operating officers as it deems nec-  
43 essary for conducting the business of the credit union including, but not  
44 limited to, a president or chief executive officer who shall be in charge of  
45 the credit union's day-to-day operations.

46 (4) A credit union may use any titles it chooses for the officials hold-  
47 ing the positions described in this section as long as such titles are not  
48 misleading.

1 SECTION 11. That Section [26-2116](#), Idaho Code, be, and the same is hereby  
2 repealed.

3 SECTION 12. That Chapter 21, Title 26, Idaho Code, be, and the same is  
4 hereby amended by the addition thereto of a NEW SECTION, to be known and des-  
5 ignated as Section 26-2116, Idaho Code, and to read as follows:

6 26-2116. BOARD OF DIRECTORS -- POWERS AND DUTIES. (1) The business and  
7 affairs of a credit union shall be managed by the board of directors of the  
8 credit union. The duties of the board include, but are not limited to, the  
9 duties enumerated in this section. The duties listed in subsection (2) of  
10 this section may not be delegated by the credit union's board of directors.  
11 The duties listed in subsection (3) of this section may be delegated to a com-  
12 mittee, officer or employee, with appropriate reporting to the board.

13 (2) The board shall:

- 14 (a) Retain the chief executive officer, or equivalent officer as speci-  
15 fied in the bylaws, and set the chief executive officer's compensation;  
16 (b) Set the minimum amount of funds in a share account, if any, required  
17 for membership;  
18 (c) Establish policies governing the operation of the credit union;  
19 (d) Establish the conditions under which a member may be expelled for  
20 cause;  
21 (e) Approve an annual operating budget for the credit union;  
22 (f) Designate those persons or positions authorized to execute or cer-  
23 tify documents or records on behalf of the credit union;  
24 (g) Review the supervisory committee's annual report; and  
25 (h) Authorize the conveyance of real property and buildings.

26 (3) In addition, unless delegated, the board shall:

- 27 (a) Determine the maximum amount of shares and deposits that a member  
28 may hold in the credit union;  
29 (b) Set the rate of interest on deposits, including nonmember deposits,  
30 and the rate of dividends on shares and authorize the payment of divi-  
31 dends on shares;  
32 (c) Approve the charge-off of credit union losses;  
33 (d) Determine the investment of surplus funds of the credit union in in-  
34 vestments permitted by this chapter;  
35 (e) Fill vacancies on all committees; and  
36 (f) Authorize the credit union to borrow or lend money as needed to  
37 carry on the functions of the credit union.

38 SECTION 13. That Section [26-2118](#), Idaho Code, be, and the same is hereby  
39 repealed.

40 SECTION 14. That Chapter 21, Title 26, Idaho Code, be, and the same is  
41 hereby amended by the addition thereto of a NEW SECTION, to be known and des-  
42 ignated as Section 26-2118, Idaho Code, and to read as follows:

43 26-2118. CREDIT COMMITTEE -- APPOINTMENT -- DUTIES. (1) The board may  
44 appoint a credit committee. The credit committee shall have the general su-  
45 pervision of all loans to members. It shall be the duty of the credit commit-  
46 tee to review all applications for loans, to ascertain whether the loan would

1 be for a provident or productive purpose, to determine whether the applicant  
2 qualifies for the loan under the credit union's loan and underwriting poli-  
3 cies, and to determine whether the security offered, in the credit commit-  
4 tee's judgment, is sufficient, and whether the requested terms of the loan  
5 are in accordance with the credit union's loan and underwriting policies.

6 (2) The credit committee shall meet as often as necessary and at least  
7 once each month to review delinquent loans. The credit committee shall keep  
8 a record of all actions taken at each meeting and shall submit a written re-  
9 port to the members at the annual meetings and to the board monthly.

10 (3) The credit committee, upon approval by the board, may appoint one  
11 (1) or more loan officers to act under the supervision of the credit commit-  
12 tee, and a loan officer, when appointed, may make loans without the necessity  
13 for a meeting or of approval by any members of the credit committee, as pro-  
14 vided in the bylaws. No more than one (1) member of the credit committee may  
15 serve in the position of loan officer. No individual shall have authority to  
16 disburse funds of the credit union for any loan that has been approved by him  
17 in his capacity as loan officer, except that the loan officer may disburse  
18 loans approved by him that are fully secured by shares or that do not exceed  
19 the credit union's unsecured loan limit set by the board of directors.

20 (4) No member of the credit committee may serve as a member of the board  
21 of directors or supervisory committee while serving as a member of the credit  
22 committee.

23 SECTION 15. That Section [26-2121](#), Idaho Code, be, and the same is hereby  
24 repealed.

25 SECTION 16. That Chapter 21, Title 26, Idaho Code, be, and the same is  
26 hereby amended by the addition thereto of a NEW SECTION, to be known and des-  
27 ignated as Section 26-2121, Idaho Code, and to read as follows:

28 26-2121. SUPERVISORY COMMITTEE -- MEMBERSHIP -- TERMS -- VACAN-  
29 CIES. (1) A supervisory committee of at least three (3) members must be  
30 appointed by the board as provided in the bylaws. Members of the supervisory  
31 committee shall serve a term of one (1) to three (3) years, unless sooner re-  
32 moved under this chapter or until their successors are qualified and elected  
33 or appointed. The members of the supervisory committee shall be divided into  
34 classes so that as equal a number as is possible is appointed each year.

35 (2) At least one (1) supervisory committee member may attend each regu-  
36 lar meeting of the board. However, supervisory committee members may be ex-  
37 cluded from executive sessions of board meetings.

38 (3) (a) If a supervisory committee member is absent from more than one-  
39 fourth (1/4) of the committee meetings in any twelve (12) month period  
40 without being reasonably excused by the committee, the member shall no  
41 longer serve as a member of the committee.

42 (b) The supervisory committee shall promptly notify the member that  
43 such member shall no longer serve as a committee member. Failure to  
44 provide notice does not affect the termination of the member's service  
45 under paragraph (a) of this subsection.

46 (4) A supervisory committee member must be a natural person and a member  
47 of the credit union. If a member of the supervisory committee ceases to be a



1 member of the credit union, the member shall no longer serve as a committee  
2 member.

3 (5) Any vacancy on the committee must be filled by an interim member ap-  
4 pointed by the board.

5 (6) No operating officer or employee of a credit union may serve on the  
6 credit union's supervisory committee. No more than one (1) director may be a  
7 member of the supervisory committee at the same time. No member of the super-  
8 visory committee may serve on the credit committee or investment committee  
9 of the credit union while serving on the supervisory committee. No board of-  
10 ficer of a credit union may serve as the chairperson of the supervisory com-  
11 mittee.

12 SECTION 17. That Chapter 21, Title 26, Idaho Code, be, and the same is  
13 hereby amended by the addition thereto of a NEW SECTION, to be known and des-  
14 ignated as Section 26-2121A, Idaho Code, and to read as follows:

15 26-2121A. SUPERVISORY COMMITTEE DUTIES. (1) The supervisory commit-  
16 tee of a credit union shall:

17 (a) Meet at least quarterly;

18 (b) Keep fully informed as to the financial condition of the credit  
19 union and the decisions of the credit union's board;

20 (c) Perform or arrange for an annual audit of the credit union's finan-  
21 cial statements and provide any related findings and recommendations to  
22 the board;

23 (d) Make or cause to be made a verification of member accounts as fol-  
24 lows:

25 (i) At least annually by statistical sampling, with the sampling  
26 method to provide for:

27 1. Random selection;

28 2. A sample that is representative of the population from  
29 which it was selected;

30 3. An equal chance of selecting each dollar in the popula-  
31 tion;

32 4. Sufficient accounts in both number and scope on which to  
33 base conclusions concerning management's financial report-  
34 ing objectives; and

35 5. Additional procedures to be performed if evidence pro-  
36 vided by confirmation alone is not sufficient;

37 (ii) At least annually by nonstatistical sampling conducted by  
38 an independent person licensed as an accountant in the state of  
39 Idaho, using a sampling method as set forth in subparagraph (i)  
40 of this paragraph and nonstatistical sampling methods consistent  
41 with generally accepted auditing standards if such methods pro-  
42 vide for:

43 1. Sufficient accounts in both number and scope on which to  
44 base conclusions concerning management's financial report-  
45 ing objectives to provide assurance that the general ledger  
46 accounts are fairly stated in relation to the financial  
47 statements taken as a whole;

- 1                   2. Additional procedures to be performed by the accountant  
2                   if evidence provided by confirmations alone is not suffi-  
3                   cient; and  
4                   3. Documentation of the sampling procedures used and of  
5                   their consistency with generally accepted auditing stan-  
6                   dards, to be provided to the department upon request; or  
7                   (iii) At least each two (2) years by controlled verification of all  
8                   member accounts;  
9                   (e) Review or arrange to have reviewed annually the effectiveness of  
10                  the credit union's internal controls;  
11                  (f) Report its findings and recommendations to the board;  
12                  (g) Provide an annual written report to members at each annual member-  
13                  ship meeting on the credit union's financial condition;  
14                  (h) Perform or arrange for additional audits as requested by the board  
15                  or management or as deemed necessary by the supervisory committee and  
16                  provide any related findings and recommendations to management or the  
17                  board as deemed appropriate by the supervisory committee;  
18                  (i) Monitor the implementation of management responses to material ad-  
19                  verse findings in audits and regulatory examinations;  
20                  (j) Implement a process for the supervisory committee to receive and  
21                  respond to whistleblower complaints; and  
22                  (k) Perform any additional duties as specified by the board or in the  
23                  credit union's bylaws.  
24                  (2) The supervisory committee may in its sole discretion retain, at the  
25                  credit union's expense, independent counsel or other professional advisors  
26                  or consultants as necessary to perform the duties under this section.

27                  SECTION 18. That Chapter 21, Title 26, Idaho Code, be, and the same is  
28                  hereby amended by the addition thereto of a NEW SECTION, to be known and des-  
29                  ignated as Section 26-2121B, Idaho Code, and to read as follows:

30                  26-2121B. SUSPENSION OF MEMBERS OF THE BOARD BY SUPERVISORY COMMITTEE  
31                  -- FOR CAUSE. (1) The supervisory committee may, for cause, suspend a mem-  
32                  ber of the board, until a special membership meeting called for that purpose  
33                  is held in accordance with the requirements of section 26-2113B, Idaho Code.  
34                  The members participating in that meeting shall vote whether to remove the  
35                  suspended person or persons.

36                  (2) For purposes of this section, "cause" means demonstrated financial  
37                  irresponsibility, a breach of fiduciary duty to the credit union, or activi-  
38                  ties which, in the judgment of the supervisory committee, create a material  
39                  risk to the credit union.

40                  SECTION 19. That Chapter 21, Title 26, Idaho Code, be, and the same is  
41                  hereby amended by the addition thereto of a NEW SECTION, to be known and des-  
42                  ignated as Section 26-2121C, Idaho Code, and to read as follows:

43                  26-2121C. SUSPENSION OF MEMBERS OF THE BOARD OR SUPERVISORY COMMITTEE  
44                  BY BOARD -- FOR CAUSE. (1) The board may, for cause, suspend a member of the  
45                  board or a member of the supervisory committee until a special membership  
46                  meeting, called for that purpose, is held. The membership meeting must be

1 held within ninety (90) days after the suspension. The members attending the  
2 meeting shall vote whether to remove a suspended party.

3 (2) For purposes of this section, "cause" means demonstrated financial  
4 irresponsibility, a breach of fiduciary duty to the credit union, or activi-  
5 ties which, in the judgment of the board, create a material risk to the credit  
6 union.

7 SECTION 20. That Chapter 21, Title 26, Idaho Code, be, and the same is  
8 hereby amended by the addition thereto of a NEW SECTION, to be known and des-  
9 ignated as Section 26-2121D, Idaho Code, and to read as follows:

10 26-2121D. REMOVAL OF DIRECTOR OR SUPERVISORY COMMITTEE MEMBER. (1)  
11 The members of a credit union may remove a director of the credit union at a  
12 special membership meeting held in accordance with section 26-2113B, Idaho  
13 Code, and called for that purpose. If the members remove a director, the  
14 members may at the same special membership meeting elect an interim director  
15 to complete the remainder of the former director's term of office or autho-  
16 rize the board to appoint an interim director as provided in section 26-2114,  
17 Idaho Code.

18 (2) If at any time, because of the removal of one (1) or more credit  
19 union directors under this chapter, the board of directors of a credit union  
20 has less than a quorum of directors, all powers and functions vested in or ex-  
21 ercisable by the board vest in and are exercisable by the director or direc-  
22 tors remaining until such a time as there is a quorum on the board of direc-  
23 tors. If all of the directors of a credit union are removed under this chap-  
24 ter, the director of the department of finance shall appoint persons to serve  
25 temporarily as directors of the credit union until such a time as their re-  
26 spective successors take office.

27 (3) The members of a credit union may remove a supervisory committee  
28 member at a special membership meeting held in accordance with section  
29 26-2113B, Idaho Code, and called for that purpose. If the members remove a  
30 supervisory committee member, the members may at the same special member-  
31 ship meeting elect an interim supervisory committee member to complete the  
32 remainder of the former supervisory committee member's term of office or  
33 authorize the supervisory committee to appoint an interim supervisory com-  
34 mittee member as provided in section 26-2121, Idaho Code.

35 SECTION 21. That Chapter 21, Title 26, Idaho Code, be, and the same is  
36 hereby amended by the addition thereto of a NEW SECTION, to be known and des-  
37 ignated as Section 26-2156, Idaho Code, and to read as follows:

38 26-2156. BOND COVERAGE. (1) Each credit union must be adequately in-  
39 sured against risk. The board of directors of each credit union must at least  
40 annually review its bond and other insurance coverage to ensure that it is  
41 adequate in relation to the potential risks facing the credit union and the  
42 minimum requirements set by the board.

43 (2) Each credit union must purchase a blanket fidelity bond that:

44 (a) Covers the officers, employees, directors, members of official  
45 committees, attorneys and other agents;

46 (b) Covers against loss caused by fraud, dishonesty, burglary, rob-  
47 bery, larceny, theft, forgery or alterations of instruments, misplace-

1 ment or mysterious disappearance, and for faithful performance of duty;  
2 and

3 (c) Has the following required minimum dollar amount of coverage:

4 Assets	Minimum Bond
5 \$0 to \$4,000,000	Lesser of total assets or \$250,000
6 \$4,000,001 to \$50,000,000	\$100,000 plus \$50,000 for each
7	million or fraction thereof over
8	\$1,000,000
9 \$50,000,001 to \$500,000,000	\$2,550,000 plus \$10,000 for each
10	million or fraction thereof over
11	\$50,000,000, to a maximum of
12	\$5,000,000
13 Over \$500,000,000	1% of assets rounded to the
14	nearest hundred million, to a
15	maximum of \$9,000,000

16 (3) The maximum amount of allowable deductible is computed based on the  
17 credit union's asset size and capital level, as follows:

18 Assets	Maximum Deductible
19 \$0 to \$100,000	No deductible allowed
20 \$100,001 to \$250,000	\$1,000
21 \$250,001 to \$1,000,000	\$2,000
22 Over \$1,000,000	\$2,000 plus .001 of total assets,
23	to a maximum of \$200,000; for
24	credit unions that received
25	a composite capital, asset,
26	management, earnings, liquidity,
27	and sensitivity (CAMELS) rating
28	of "1" or "2" for the last two (2)
29	full examinations and maintained
30	a net worth classification of
31	"well-capitalized" under national
32	credit union administration (NCUA)
33	regulations part 702 for six (6)
34	immediately preceding quarters
35	or, if subject to a risk-based net
36	worth (RBNW) requirement under NCUA
37	regulations part 702, has remained
38	"well-capitalized" for the six (6)
39	immediately preceding quarters
40	after applying the applicable
41	RBNW requirements, the maximum
42	deductible is \$1,000,000

43 (4) The director may require an additional amount of bond coverage for  
44 a credit union, taking into account the size of the credit union, the credit  
45 union's field of membership, risk level of the credit union, and any other

1 factors the director finds relevant to the determination of appropriate bond  
2 coverage for a credit union.

3 (5) The board of directors should purchase additional or enhanced cov-  
4 erage when circumstances warrant.

5 (6) If a credit union fails to maintain a blanket fidelity bond in the  
6 amount prescribed by the director, the director may order the credit union  
7 to cease its operations until such time when the credit union obtains the re-  
8 quired bond.

9 (7) When a credit union receives notice that its fidelity bond coverage  
10 will be suspended or terminated, the credit union shall notify the director  
11 in writing no fewer than thirty (30) days prior to the effective date of the  
12 suspension or termination.