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I certify that the attached copies are true, full and correct copies of the PERMANENT Rule(s) adopted on Upon filing, by the
Department of Consumer and Business Services, Division of Finance and Corporate Securities 441
Agency and Division Administrative Rules Chapter Number
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To become effective 01/01/2016 Rulemaking Notice was published in the November 2015 Oregon Bulletin.

RULE CAPTION

Adopts conditions for credit unions paying compensation to boards of directors and supervisory committee members.

Not more than 15 words that reasonably identifies the subject matter of the agency's intended action.

RULEMAKING ACTION

Secure approval of new rule numbers with the Administrative Rules Unit prior to filing.

ADOPT:

441-710-0305

AMEND:

REPEAL:

RENUMBER:

AMEND AND RENUMBER:

Statutory Authority:

ORS 723.108

Other Authority:

2015 Or Laws ch 458 (Enrolled Senate Bill 582)

Statutes Implemented:

ORE 723.266



RULE SUMMARY

Until recently, Oregon law prohibited credit unions from paying their boards of directors and supervisory committee members compensation. In the 2015 legislative session, the Assembly enacted Senate Bill 582. Among other things, SB 582 permitted the payment of "reasonable compensation." The Act did not specify what was reasonable, what would be considered (or not considered) compensation, or how to involve credit union membership in any decisions on whether to pay compensation. This rulemaking activity - undertaken under the department's general grant of authority to implement the Credit Union Act - provides definition to the inexact terms in the Act, sets up processes for bylaw change, adopting policies and procedures on compensation, and implements a public process of disclosure to keep the membership informed.

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Direction of Affairs

441-710-0305

Compensation of Boards of Directors and Supervisory Committee Members

(1) For purposes of this rule, unless the context requires otherwise:

(a) “Compensation” includes anything of value given in exchange for service as a member of the credit union’s board of directors or a member of the credit union’s supervisory committee.

Compensation does not include:

(A) Reasonable life, health, accident and similar insurance protection for a director or committee member, or indemnification and related insurance; or

(B) Reimbursement for actual expenses incurred in carrying out duties as a director or committee member.

(b) “Reasonable” means compensation that is:

(A) Proportional to the size and complexity of the credit union;

(B) Consistent with the credit union’s mission, needs and goals, to the extent the mission, needs and goals of the credit union are congruent with safety and soundness, and applicable law;

(C) Proportional to the market conditions in which the credit union operates; and

(D) Related to the financial strength of the credit union.

(2) A credit union may pay compensation to its board of directors and members of the supervisory committee that is reasonable, if the credit union—

(a) Operates in a safe and sound manner;

(b) Authorizes through its bylaws the payment of compensation to its board of directors or supervisory committee members. The bylaws must include provisions for adopting policies on the payment of compensation;

(c) Adopts policies and procedures, consistent with its bylaws and this rule, for the payment of compensation that is reasonable. Policies and procedures adopted under this subsection must address, but need not be limited to:

(A) The types and amount of compensation that is reasonable for its board of directors and supervisory committee members;

(B) Due diligence activities, including considering comparative studies on the compensation structures of other organizations of like size, location, complexity and mission;

- (C) Why, when and how compensation may be suspended by the credit union's board of directors;
 - (D) Review criteria and frequency of review to ascertain whether compensation remains reasonable; and
 - (E) Documenting how the credit union followed its policies and procedures on compensation;
 - (d) Makes the required disclosures to membership under section (3) of this rule; and
 - (e) Notifies the Director of the Department of Consumer and Business Services prior to any final decision to pay compensation.
- (3)(a) A credit union electing to pay reasonable compensation to its boards of directors or supervisory committee members must disclose the following information to all members, prior to or during the next scheduled annual meeting before compensation is adopted:
- (A) A description of the compensation in detail, including compensation paid last year and compensation scheduled to be paid;
 - (B) A description of the duties of the board of directors/supervisory committee that demonstrate the need for compensation sought and how compensation comports with the needs and goals of the credit union;
 - (C) Information on the financial performance of the credit union, as it relates to whether the compensation paid is reasonable; and
 - (D) The process the credit union followed to complete its due diligence in comparing compensation to other like organizations.
- (b) A copy of the information submitted to the credit union members under this section shall also be submitted to the director. Any member may request a copy of the information in an accessible form and format the credit union maintains.
- (4) The director may override payments of compensation if the compensation does not appear reasonable following a review during a regularly scheduled examination.

Stat. Auth.: ORS 723.108

Stat. Implemented: 723.266.

Hist.: New.
