

Chapter 208-400 WAC

CREDIT UNION CORPORATE GOVERNANCE

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WAC 208-400-010 Reasonable compensation. (1) **Authority to compensate directors and supervisory committee members.** Subject to the provisions of this section, a credit union may pay compensation to its directors and supervisory committee members for their service as directors and supervisory committee members that is reasonable in accordance with subsection (4) of this section.

(2) "Compensation."

(a) As used in this section, "compensation" means anything of value that is both:

(i) Given to a director or supervisory committee member in exchange for services performed as a director or supervisory committee member; and

(ii) Required to be reported to the Internal Revenue Service as income.

(b) For purposes of this section, the term "compensation" excludes:

(i) Any advancement to or reimbursement to a director or supervisory committee member, or direct disbursement to a third party of reasonable expenses associated with credit union business-related travel of a director or supervisory committee member;

(ii) Payment of reasonable expenses associated with credit union business-related travel for one guest per director or supervisory committee member;

(iii) Payment for insurance coverage of a director or supervisory committee member, available to employees generally;

(iv) Payment of indemnification to a director or supervisory committee member and liability insurance coverage for directors and supervisory committee members; and

(v) Gifts to a director or supervisory committee member of minimal value.

(3) **Controls review.** A credit union shall implement and maintain appropriate controls to ensure that compensation is reasonable and that such compensation does not lead to material financial loss to the credit union. Such controls shall include, without limitation, the following:

(a) Prior to its initial determination to pay compensation to directors or supervisory committee members, or to increase any such payments, a credit union's board of directors shall in good faith review all policies related to compensation, and shall review the amount of compensation provided to the directors and supervisory committee members.

(b) The review set forth in (a) of this subsection must:

(i) Contain a written determination that compensation paid to the directors and supervisory committee members is reasonable, including a discussion of the factors considered in making such determination; and

(ii) Be included as part of the minutes of the meeting at which matters relating to compensation were deliberated and voted upon by the credit union's board of directors.

(4) **When compensation is reasonable.** Compensation is reasonable if it meets all of the following criteria:

(a) It is proportional to the services provided by the director or supervisory committee member;

(b) It is reasonable considering the financial condition of the credit union; and

(c) It is comparable to compensation paid by comparable organizations of a similar size, location, and operational complexity.

(5) Disclosure to credit union membership.

(a) A credit union shall annually disclose to credit union members prior to its annual membership meeting the compensation provided to directors and supervisory committee members in the prior calendar year and as scheduled for the current calendar year.

(b) The disclosure to a credit union's members:

(i) Shall be in writing and conspicuously set apart from other information provided to members;

(ii) Shall include the names of all the directors and supervisory committee members receiving compensation and the amount of compensation paid to each in the prior calendar year;

(iii) Shall include the schedule for compensation to be paid to directors and supervisory committee members in the current calendar year; and

(iv) Shall be included in the notice of the annual meeting of the members, a separate mailing to members, a periodic statement of account to members, a periodic publication of the credit union to members, posted electronically on a credit union's web site, or through some other email publication to members.

(6) Notice to director.

(a) A credit union shall provide written notice to the director of credit unions of its intent to adopt a policy to compensate directors or supervisory committee members at least sixty days before adopting such policy.

(b) In providing notice to the director of credit unions, a credit union shall provide any additional information as required by the director of credit unions.

(7) Enforcement authority of director, prohibition.

(a) The director may prohibit or otherwise limit or restrict the payment of compensation to directors or supervisory committee members if, in the opinion of the director, the payment of compensation has or is likely to have a materially adverse effect on the credit union.

(b) The director may also prohibit or limit compensation if a credit union fails to comply with this rule.

[Statutory Authority: RCW 31.12.365 and 2013 c 34. WSR 14-03-132, § 208-400-010, filed 1/22/14, effective 2/22/14.]

WAC 208-400-020 Definitions. Unless the context clearly requires otherwise, as used in this chapter:

"Board" has the same meaning as ascribed in RCW 31.12.005(1).

"Board chair" means the serving chairperson of the board of directors of a credit union, who has been duly appointed by the board of directors to serve as its chair.

"CAMEL" means the rating system used to measure the safety and soundness of credit unions that are insured by the National Credit Union Share Insurance Fund (as defined in 12 U.S.C. Sec. 1783) and which scores a credit union's capital adequacy, asset quality, management, earnings, and asset/liability management (liquidity), both individually and on a composite basis.

"Credit union" has the same meaning as ascribed in RCW 31.12.005(5).

"Director" has the same meaning as ascribed to that term in RCW 31.12.005(8).

"Manager" means the duly appointed and serving chief executive officer of a credit union.

"Troubled condition" has the same meaning ascribed to that term in the rules of the National Credit Union Administration, at 12 C.F.R. Sec. 701.14 (b)(3).

"Unsafe or unsound practice" has the same definition as ascribed to that term in RCW 31.12.005(26).

[Statutory Authority: RCW 31.12.225 and 2013 c 34. WSR 14-09-024, § 208-400-020, filed 4/9/14, effective 5/10/14.]

WAC 208-400-030 Frequency of board meetings. (1) Authority to determine the frequency of board of directors meetings. Subject to the provisions of this section, a board may determine the frequency of its meetings and must specify such frequency in its bylaws.

(2) **Minimum meeting requirement.** A board of directors must meet a minimum of six times in each calendar year and at least once per calendar quarter.

(3) **Director's authority to require more frequent meetings.** The director may require that a board meet more frequently if he or she finds that it is necessary for the board to meet more frequently to address examination matters, including without limitation, evidence of any of the following:

(a) The credit union's current composite CAMEL rating issued by the director is a 3, 4, or 5;

(b) The credit union's current management component CAMEL rating issued by the director is a 3, 4, or 5;

(c) The credit union's net worth ratio is less than seven percent;

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

(e) In the judgment of the director, the credit union has committed an unsafe or unsound practice that has not been corrected to the satisfaction of the director and that continues to be a concern to the director, or the credit union is about to commit an unsafe or unsound practice; or

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

(4) **Notification to the board.** If the director determines as set forth in subsection (3) of this section, that a board of directors must meet more frequently than as set forth in subsection (2) of this section, the director will send written notice to the board chair, with a copy to the credit union's

manager, setting forth the director's findings underlying the determination and the required frequency of the board of directors' meetings. This notice will remain in effect until rescinded in writing by the director.

[Statutory Authority: RCW 31.12.225 and 2013 c 34. WSR 14-09-024, § 208-400-030, filed 4/9/14, effective 5/10/14.]