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**SUBSTITUTE HOUSE BILL 1085**

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**State of Washington**

**52nd Legislature**

**1991 Regular Session**

**By** House Committee on Financial Institutions & Insurance (originally sponsored by Representatives Winsley, Dellwo, Broback, Dorn, Mielke, Inslee, Schmidt, Zellinsky, Anderson, Paris, R. Johnson, Edmondson, Wynne, Chandler, Wood, Tate and Orr).

Read first time February 5, 1991.

1       AN ACT Relating to directors, officers, employees, and other agents  
2 of credit unions; adding new sections to chapter 31.12 RCW; and  
3 prescribing penalties.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5       NEW SECTION. **Sec. 1.** A new section is added to chapter 31.12 RCW  
6 to read as follows:

7       Directors and officers of a credit union stand in a fiduciary  
8 relationship to the credit union and shall discharge the duties of  
9 their respective positions in good faith and with that diligence, care,  
10 and skill that ordinary, prudent persons would exercise under similar  
11 circumstances in like positions.

12       NEW SECTION. **Sec. 2.** A new section is added to chapter 31.12 RCW  
13 to read as follows:

1 (1) No director, officer, employee, or other agent of a credit  
2 union may purchase, or be interested in the purchase, directly or  
3 indirectly, of any of its assets without the previous consent of a  
4 majority of disinterested directors of the credit union. If the fair  
5 market value of the asset or assets exceeds ten thousand dollars, the  
6 credit union shall give not less than ten days' prior notice of the  
7 sale to the supervisor.

8 (2) No director, officer, employee, or other agent of any credit  
9 union may have an interest, direct or indirect, in the gains or profits  
10 of the credit union or credit union service organization, except to  
11 receive dividends, or interest upon share or deposit accounts nor may  
12 the directors, officers, employees, or other agents have an ownership  
13 interest in a credit union service organization or other partnership,  
14 firm, or corporation doing business with the credit union or a credit  
15 union service organization. However, nothing in this subsection  
16 prevents an officer, employee, or other agent of the credit union from  
17 receiving his or her authorized compensation; from participating in an  
18 employee benefit plan; or prevents a director, officer, employee, or  
19 other agent of the credit union from owning stock in a corporation  
20 doing business with the credit union or credit union service  
21 organization if after application to the supervisor, the supervisor  
22 determines that the ownership or other interest in such corporation is  
23 fair to the credit union. Nothing in this subsection prevents a  
24 director from receiving reasonable compensation for expenses as  
25 provided in RCW 31.12.365.

26 (3) No director, officer, employee, or other agent of any credit  
27 union may, directly or indirectly, receive a bonus, commission,  
28 compensation, remuneration, gift, speculative interest, or gratuity of  
29 any kind from any person, firm, or corporation other than the credit  
30 union (a) for granting, procuring, or endeavoring to procure, for any

1 person, firm, or corporation, a loan by or out of the funds of the  
2 credit union; or (b) for the purchase or sale of a securities or  
3 property for or on account of the credit union.

4 (4) A violation of this section is a gross misdemeanor.