

## HOUSE BILL No. 2678

By Committee on Insurance and Financial Institutions

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9 AN ACT concerning credit unions; relating to limitations on credit union  
10 personnel; amending K.S.A. 17-2242 and repealing the existing  
11 section.  
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13 *Be it enacted by the Legislature of the State of Kansas:*

14 Section 1. K.S.A. 17-2242 is hereby amended to read as follows: 17-  
15 2242. (a) If it appears to the administrator that the board of directors,  
16 supervisory or credit committees, *or any employee* of any credit union  
17 has been dishonest, reckless or incompetent in the performance of their  
18 duties, the administrator: (1) May recommend the removal of such per-  
19 sons; and (2) may submit any such findings, reports or recommendations  
20 to any regularly or specially called meeting of the board of directors, credit  
21 and supervisory committees or, if the administrator has done this, after  
22 due notice given at least 10 days in advance, may submit the administra-  
23 tor's findings and recommendations and reports to a general meeting of  
24 the shareholders. Due notice shall be construed as being such notice as  
25 is provided in the bylaws of the credit union for calling such meetings.  
26 The administrator may give such additional notice to the members as the  
27 administrator deems advisable. The administrator and employees shall  
28 not be personally liable for such reports, recommendations and findings  
29 made in good faith. At any such meeting of the shareholders it shall be  
30 in order to call for a vote to remove such officers, board members, com-  
31 mittee members, or employees. Such action by the shareholders to re-  
32 move or not remove such persons from their positions shall be absolute  
33 and need not be based on any finding, concurrence or nonagreement  
34 with the administrator that such persons are or have been dishonest,  
35 reckless or incompetent in the performance of their duties. At any such  
36 meeting of the shareholders the board of directors, supervisory or credit  
37 committees may concur or not concur with a recommendation of removal  
38 whether or not they agree with the findings of the administrator.

39 (b) As an alternative to and notwithstanding subsection (a), the ad-  
40 ministrator may suspend from office and prohibit from further partici-  
41 pation in any manner in the conduct of the affairs of a credit union any  
42 director, officer, committee member or employee who has committed  
43 any violation of a law, rules and regulations or of a cease and desist order

1 or who has engaged or participated in any unsafe or unsound practice in  
2 connection with the credit union or who has committed or engaged in  
3 any act, omission or practice which constitutes a breach of that person's  
4 fiduciary duty as such director, officer, committee member or employee,  
5 when the administrator has determined that such action or actions have  
6 resulted or will result in substantial financial loss or other damage that  
7 seriously prejudices the interests of the members. The credit union board  
8 of directors or individuals named in the administrative action shall be  
9 given a hearing or an opportunity for a hearing in accordance with the  
10 provisions of the Kansas administrative procedures act.

11 *(c) (1) The administrator may prohibit the further participation in*  
12 *any manner in the conduct of any credit union in Kansas of any current*  
13 *or former director, officer, committee member or employee if the admin-*  
14 *istrator finds that such director, officer, committee member or employee:*

15 *(A) Has been dishonest, reckless or incompetent in performing the*  
16 *duties of such director, officer, committee member or employee; or*

17 *(B) willfully or continuously fails to comply with any order issued by*  
18 *the administrator.*

19 *(2) Any individual named in the administrative action shall be given*  
20 *a hearing or an opportunity for a hearing in accordance with the provi-*  
21 *sions of the Kansas administrative procedure act.*

22 *(3) The provisions of this section may be used in addition to, or in*  
23 *lieu of, the provisions of subsections (a) and (b) at the administrator's*  
24 *discretion.*

25 Sec. 2. K.S.A. 17-2242 is hereby repealed.

26 Sec. 3. This act shall take effect and be in force from and after its  
27 publication in the statute book.