SENATE/HOUSE FILE _____
BY (PROPOSED DEPARTMENT OF COMMERCE/CREDIT UNION DIVISION BILL)

A BILL FOR

An Act relating to the credit union division and its regulatory matters.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. Section 7A.4, Code 2016, is amended by adding the following new subsection:

NEW SUBSECTION. 5. Superintendent of credit unions.

Sec. 2. Section 533.113, subsection 1, paragraph d, Code 2016, is amended to read as follows:

d. Make or cause to be made an examination of any person having business transactions or a relationship with any state credit union~~, upon application to and order of the district court of Polk county,~~ when such examination is deemed necessary and advisable in order to determine whether the capital of the state credit union is impaired or whether the safety of its deposits, its financial information or accounts, or its computer systems or computer networks, is imperiled.

Sec. 3. Section 533.114, subsection 2, paragraphs b and c, Code 2016, are amended to read as follows:

b. A summary of the assets, liabilities, and capital structures of all state credit unions~~, and a summary of the volume of consumer installment credit outstanding per state credit union,~~ as of December 31 of the year for which the report is made.

c. A statement of the receipts and disbursements of funds of the superintendent during the ~~calendar~~ fiscal year ending on ~~the preceding December 31~~ June 30 of the year for which the report is made and of the funds on hand on that ~~December 31, including an estimate of the disbursements of credit union division funds for consumer credit protection during the year for which the report is made~~ June 30.

Sec. 4. NEW SECTION. **533.115A Conducting business outside of state.**

If a state credit union has an office and conducts business in another state having laws or regulations allowing credit unions to exercise additional powers, the state credit union may request permission from the superintendent to exercise such additional powers while operating in the other state with only the resident members of that other state.

Sec. 5. NEW SECTION. **533.201A Change in place of business.**

1. A state credit union shall notify the superintendent of any change in its principal place of business within ten days of the change. A state credit union shall also file an application to relocate an office as provided by rule.

2. A state credit union changing its principal place of business shall review and amend its articles of incorporation, if necessary.

Sec. 6. Section 533.205, Code 2016, is amended by adding the following new subsection:

NEW SUBSECTION. 9. *Penalties.* The superintendent may impose a penalty, after notice in writing and opportunity for a hearing, for a violation of this section. If a state credit union fails to satisfactorily resolve the matter within sixty days from receipt of such notice, the superintendent may impose a penalty against the state credit union in an amount not to exceed one hundred dollars per day per violation for each day that the violation remains unresolved.

Sec. 7. Section 533.301, subsection 25, Code 2016, is amended to read as follows:

25. Engage in any activity authorized by the superintendent which would be permitted if the state credit union were federally chartered ~~and which is consistent with state law~~.

Sec. 8. NEW SECTION. **533.331 Data breach —— duty to notify.**

1. In accordance with 12 C.F.R. pt. 748, Appendix B, a state credit union shall maintain an information security response program that includes procedures for notifying the credit union division as soon as possible after the credit union becomes aware of an incident involving unauthorized access to or use of sensitive member information that would permit access to the member's account, as further detailed in 12 C.F.R. pt. 748.

2. State credit unions that experience an information security breach may be subject to chapter 715C.

Sec. 9. Section 533.401, subsection 1, Code 2016, is amended to read as follows:

1. With the approval of the superintendent <u>and the national credit union administration</u>, a state credit union may merge with another credit union under the existing certificate of approval of the other credit union if the merger is pursuant to a plan agreed upon by a majority of the board of directors of each credit union joining in the merger and the merger is approved by the affirmative vote of a majority of the members of the merging credit union according to the provisions of section 533.203. At least twenty days' notice shall be provided between the sending of notice and the scheduled conclusion of the vote.

Sec. 10. REPEAL. Sections 533.327 and 533.328, Code 2016, are repealed.

EXPLANATION

The inclusion of this explanation does not constitute agreement with the explanation's substance by the members of the general assembly.

This bill modifies several provisions that relate to the credit union division.

The bill amends Code section 7A.4 by adding the superintendent of credit unions to the list of officials required to submit an annual report to the governor.

The bill amends Code section 533.113(1) by eliminating the need for the superintendent to apply to and seek an order from the district court of Polk county in order to examine any person having business transactions or a relationship with any state credit union when capital is impaired or deposit safety is at issue. The bill also adds the safety of a credit union's financial information or accounts, and computer systems or computer networks, as grounds for such an examination.

The bill amends Code section 533.114(2)(b) by eliminating the need for the superintendent to include a summary of the volume of consumer installment credit outstanding per state credit union in the superintendent's annual report.

The bill amends Code section 533.114(2)(c) by changing the date that the superintendent is required to provide a statement of the receipts and disbursements of funds of the superintendent and of the remaining funds on hand, to the end of the fiscal year.

The bill creates new Code section 533.115A to require credit unions that operate in another state which has laws that give credit unions additional powers to request permission from the superintendent to exercise those additional powers while operating in the other state with only the resident members of that other state.

The bill creates new Code section 533.201A to require a state credit union to notify the superintendent of any change to its principal place of business and to file an application to relocate an office as provided by rule. The bill also provides that a credit union shall review and amend its articles of incorporation after such a change if necessary.

The bill amends Code section 533.205 authorizing penalties for any violation of that Code section, which pertains to the duties of the board of directors of a credit union. The superintendent may impose a penalty of not more than $100 per day per violation for each day that the violation is unresolved, after notice and an opportunity for a hearing and a 60-day period for resolving the violation.

The bill amends Code section 533.301(25), which relates to the power of a state credit union to engage in any activity which would be permitted if the state credit union was federally chartered, by eliminating the requirement that the federally chartered activity must be consistent with state law.

The bill creates new Code section 533.331 to specify that a state credit union shall maintain an information security response program, including notification procedures, in the event of a data breach and in accordance with federal law. The bill also states that state credit unions that experience a security breach may be subject to the provisions of Code chapter 715C, which relates to criminal penalties for personal information security breach protection.

The bill amends Code section 533.401(1) to require the approval of the national credit union administration, in addition to the superintendent, for a state credit union to merge with a federal or another state's credit union.

The bill repeals Code section 533.327, regarding a change in a credit union's place of business. The language from this section is modified and incorporated into new Code section 533.201A. The bill also repeals Code section 533.328, regarding credit unions conducting business outside of the state. The language from this section is incorporated into new Code section 533.115A.