

**HOUSE . . . . . No. 3819**

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**The Commonwealth of Massachusetts**

PRESENTED BY:

*James J. O'Day*

*To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:*

The undersigned legislators and/or citizens respectfully petition for the adoption of the accompanying bill:

An Act relative to diversification of risk.

PETITION OF:

NAME:	DISTRICT/ADDRESS:	DATE ADDED:
<i>James J. O'Day</i>	<i>14th Worcester</i>	<i>2/19/2021</i>

**HOUSE . . . . . No. 3819**

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By Mr. O'Day of West Boylston, a petition (subject to Joint Rule 9) of James J. O'Day relative to the Massachusetts Credit Union Share Insurance Corporation. Financial Services.

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**The Commonwealth of Massachusetts**

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**In the One Hundred and Ninety-Second General Court  
(2021-2022)**  
\_\_\_\_\_

An Act relative to diversification of risk.

*Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:*

1           SECTION 1. Said chapter 294 of the acts of 1961 is hereby amended by striking out  
2 section 1, as appearing in section 1 of chapter 278 of the acts of 1982, and inserting in place  
3 thereof the following section:-

4           Section 1. There is hereby constituted a corporation under the name of Massachusetts  
5 Credit Union Share Insurance Corporation, hereinafter referred to as the corporation, for the  
6 purpose of creating and maintaining a fund for the insurance of shares and deposits of members  
7 of the Central Credit Union Fund, Inc. and of credit unions which are established under the laws  
8 of (1) the commonwealth, (2) the states of Maine, New Hampshire, Vermont, New York,  
9 Connecticut or Rhode Island, or (3) the United States, provided the credit union so established  
10 under the laws of the United States has its principal place of business in of the commonwealth, or  
11 the states of Maine, New Hampshire, Vermont, New York, Connecticut or Rhode Island.

12 In addition to any regulatory powers conferred pursuant to this act, the commissioner of  
13 banks may promulgate regulations or other regulatory guidance relating to regular or excess  
14 members of the corporation including, but not limited to, required information on applicants to  
15 become regular or excess members in order to determine the potential impact on the risk to and  
16 adequacy of the share insurance fund, and criteria upon which to base said determination.

17 SECTION 2. Section 1A of chapter 294 of the Acts of 1961 is hereby amended by  
18 striking out the definition of “Excess Member”, inserted by section 1 of chapter 115 of the acts  
19 of 1996, and inserting in place thereof the following definition:-

20 “Excess member”, an inactive member, a federally chartered credit union, or a state  
21 chartered credit union whose excess shares and deposits, as hereinafter defined, shall become  
22 insured by the corporation pursuant to this chapter.

23 SECTION 3. Said section 1A of said chapter 294 is hereby further amended by striking  
24 out, the definition of “Federally chartered credit union”, inserted by said section 1 of said chapter  
25 115, and inserting in place thereof the following definition:-

26 “Federally chartered credit union”, a credit union chartered under the laws of the United  
27 States whose main office is located in the commonwealth, or the states of Maine, New  
28 Hampshire, Vermont, New York, Connecticut or Rhode Island.

29 SECTION 4. Said section 1A of said chapter 294 is hereby further amended by striking  
30 out, the definition of “State chartered credit union”, inserted by section 2 of said chapter 115, and  
31 inserting in place thereof the following definition:-

32           “State chartered credit union”, a credit union chartered under the laws of the  
33   commonwealth, or the states of Maine, New Hampshire, Vermont, New York, Connecticut or  
34   Rhode Island.

35           SECTION 5. The first sentence of the first paragraph of section 6D of said chapter 294,  
36   as appearing in section 4 of said chapter 115, is hereby amended by striking out the words  
37   “located within the commonwealth”.

38           SECTION 6. Said section 6D of said chapter 294, as so appearing, is hereby amended by  
39   striking out paragraph (b) and inserting in place thereof the following paragraph:-

40           (b) An excess member may have its excess shares and deposits insured only to the same  
41   extent as is permitted for an excess member which is a credit union chartered under the laws of  
42   the commonwealth subject to the maximum share and deposit limitations applicable to  
43   Massachusetts state chartered credit unions under section 30 of chapter 171 of the General Laws.

44           SECTION 7. Said section 6D of said chapter 294, as so appearing, is hereby further  
45   amended by striking out paragraphs (e) to (h), inclusive, and inserting in place thereof the  
46   following 4 paragraphs:-

47           (e) Unless prohibited by applicable law or regulations, an excess member shall, in  
48   addition to paragraph (d), be required and shall agree, to provide to the corporation copies of  
49   examination reports and other reports and information regarding such credit union made by and  
50   for any appropriate banking regulatory authority.

51           (f) An excess member shall be subject, and shall agree, to supervision and examination  
52   by the commissioner and shall be subject to section 2 of chapter 167 of the General Laws. The

53 commissioner, in his or her sole discretion, periodically may examine the affairs of an excess  
54 member to evaluate the level of risk of loss such excess member's financial condition may pose  
55 to the corporation. The costs of such examination shall be borne by such credit union and shall  
56 be determined annually by the secretary of administration and finance under section 3B of  
57 chapter 7 of the General Laws. Upon examination, the commissioner may take such directions,  
58 recommendations and orders to an excess member as he or she deems expedient to the same  
59 extent as provided by section 3 of said chapter 167. Nothing contained herein shall limit an  
60 excess member which is a federally chartered credit union from the exercise of any powers  
61 authorized for a federally chartered credit union pursuant to and in conformance with the General  
62 Credit Union Act, or applicable rules and regulations promulgated thereunder, or pursuant to  
63 other applicable federal laws and regulations, or for a State Chartered Credit Union under the  
64 laws or regulations of the chartering jurisdiction.

65 (g) An excess member shall obtain the approval of the corporation and the commissioner  
66 prior to its merger or consolidation with, or the purchase of the assets and the assumption of the  
67 share and deposit liabilities of a banking institution as defined by section 1 of chapter 167A of  
68 the General Laws or a credit union chartered by the commonwealth, the United States or another  
69 state. Failure to obtain such approvals shall result in an automatic termination of excess  
70 insurance under section 6B.

71 (h) An excess member shall obtain the approval of the corporation and the commissioner  
72 prior to its establishment of a branch office in any other state other than the commonwealth.  
73 Failure to obtain such approvals shall result in an automatic termination of excess insurance  
74 under said section 6B.

75           The commissioner may consider all information relative to the assessment of potential  
76 risk to the share insurance fund, including but not limited to the following information:

77           (1) Information submitted in accordance with all provisions of this section, including but  
78 not limited to the examination reports and information as set forth in paragraph (e) and a valid  
79 agreement to be subject to supervision and examination by the commissioner as set forth in  
80 paragraph (f);

81           (2) The existence of satisfactory agreements with the primary insurer and other regulators  
82 regarding information sharing, confidentiality, and supervision coordination, and related matters;

83           (3) The existence of satisfactory agreements with other relevant entities; and

84           (4) Any additional information the commissioner requires upon which to base a  
85 determination regarding potential risk to the share insurance fund that an applicant may present.