

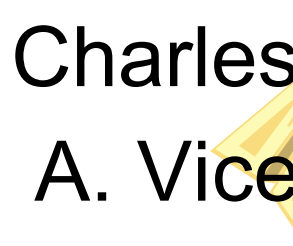
TO: Kentucky-Chartered Credit Unions

FROM: Charles A. Vice, Commissioner
Department of Financial Institutions

SUBJECT: Member Expulsion Process

DATE: June 8, 2021

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The Department is issuing this memo to describe the process by which a state-chartered credit union may expel a member for cause pursuant to Kentucky Revised Statutes (“KRS”) Section 286.6-450. A state-chartered credit union is not required to implement the processes as described below. The Department encourages state-chartered credit unions to discuss alternative member expulsion procedures with the Department prior to implementation.

Section 286.6-450 requires satisfaction of four criteria to expel a member:

1. The expulsion request must be presented at a regularly called meeting of the members.
2. Two-thirds of those members present at the meeting must vote in favor of the expulsion.
3. A hearing must occur prior to the member vote.
4. The expulsion must be for cause.

Regularly Called Meeting

A state-chartered credit union may present a member expulsion request at a scheduled meeting of the membership, such as at a credit union’s annual membership meeting. The credit union must ensure that the member notice requirements within the credit union’s bylaws are satisfied prior to holding a meeting of the membership.

For some credit unions – and in situations where time is of the essence – scheduling a membership meeting to review a member expulsion request may be inefficient and onerous. As such, a credit union’s membership may authorize the credit union’s board of directors to review requests for member expulsions at a regularly called meeting of the board, or at a committee thereof. In doing so, the credit union should establish the standards by which a member may be expelled for cause; such standards are discussed further in the “Expulsion for Cause” section below. The members should authorize, by majority vote, the credit union’s board of directors to review expulsion requests, conduct hearings, and vote on expulsion requests on behalf of the membership. In addition, the credit union’s board of directors should review and amend the credit union’s bylaws to delineate the board’s role in the expulsion process.

Vote in Favor of Expulsion

Two-thirds of members present at the meeting at which an expulsion request has been presented must vote in favor of expulsion to expel a member. The two-thirds vote requirement applies

regardless of whether the vote is held at a membership meeting or at a meeting of a board of directors empowered to review expulsion requests.

Member Hearing

Members being considered for expulsion must be given the opportunity for a hearing prior to the membership holding a vote for expulsion. The credit union should provide members adequate notice of this hearing prior to the meeting at which the expulsion vote will take place. This notice should explain the members' rights to a hearing, the method(s) by which members may represent themselves (e.g. in person at the member meeting or by a written submission to the membership), and specify a deadline for members to represent themselves (e.g. the opportunity for hearing will expire at the time of the scheduled member meeting). Members confirmed to have received such notice, but who do not exercise this opportunity, will be considered to have waived their right to a hearing. The membership can proceed with the vote for expulsion.

Expulsion for Cause

The credit union's board of directors must define and approve the "for cause" standards to identify those actions that warrant review for expulsion from the credit union. While the standards will be specific to each individual credit union, for cause standards should serve to protect the credit union and its staff from threatening behavior, physical violence or abuse, and/or fraudulent or criminal activity. These standards may take the form of a code of conduct. These standards should be provided to current membership upon approval and to new members going forward. A credit union may choose to incorporate the expulsion for cause language into its membership agreement.

References

- *Kentucky Credit Union Standard Bylaws and the Certificate of Adoption of Amended Bylaws are located on the Department's website – https://kfi.ky.gov/new_docs.aspx?cat=55.*
- *KRS 286.6-450 is located on Kentucky General Assembly's website – <https://apps.legislature.ky.gov/law/statutes/statute.aspx?id=14804>.*