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HOUSE BILL NO. 573

House Amendments in [] — January 31, 2000

A BILL to amend the Code of Virginia by adding in Article 9 of Chapter 4.01 of Title 6.1 sections numbered 6.1-225.50:1 and 6.1-225.50:2, relating to fiduciary accounts in credit unions.

Patrons—Bryant, Byron, Kilgore, Morgan, Shuler and Woodrum

Referred to Committee on Corporations, Insurance and Banking

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding in Article 9 of Chapter 4.01 of Title] 6.1 sections numbered 6.1-225.50:1 and 6.1-225.50:2 as follows:

§ 6.1-225.50:1. Accounts of fiduciaries.

A credit union may issue shares and maintain share accounts in the name of any [person or entity eligible for membership in such credit union pursuant to § 6.1-225.23 as] administrator, executor, custodian, conservator, guardian, trustee or other fiduciary for a named beneficiary or beneficiaries. The payment of funds from any such account pursuant to a share draft or other written order of withdrawal signed by the fiduciary, or delivery of funds in such account to such fiduciary, or a receipt signed by any such fiduciary with regard to the payment of funds from such account, shall be valid and sufficient release and discharge of the credit union for the payment or delivery so made.

§ 6.1-225.50:2. Credit union need not inquire as to fiduciary funds used to purchase shares in fiduciary's personal account.

If any fiduciary or agent purchases shares in a credit union in his own name (i) with share drafts or other instruments drawn by him upon an account in his own name as fiduciary, (ii) with share drafts or other instruments drawn by him upon an account in the name of his principal, if he is empowered to draw share drafts or other instruments thereto, or (iii) with share drafts or other instruments payable to his principal and endorsed by him as fiduciary, the credit union issuing such shares shall not be bound to inquire whether the fiduciary is committing thereby a breach of his obligation as fiduciary. The credit union is authorized to pay the amount of the shares issued or any part thereof upon the withdrawal by the fiduciary without being liable to the principal, unless the credit union receives payment for the shares or pays the withdrawal with the actual knowledge that the fiduciary, in purchasing such shares or in making such withdrawal, is committing a breach of his obligation as a fiduciary, or with knowledge of such facts that its action in issuing the shares or paying the withdrawal amounts to bad faith.

ENGROSSED

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