

during the enforceable life of the certificate for which the deposit was made.

(g) *Viability of deposit.* A deposit of biological material that is capable of self-replication either directly or indirectly must be viable at the time of deposit and during the term of deposit. Viability may be tested by the depository periodically. The test must conclude only that the deposited material is capable of reproduction. No evidence necessarily is required regarding the ability of the deposited material to perform any function described in the application. If a viability test indicates that the deposit is not viable upon receipt or that the quantity of material is insufficient, the examiner shall proceed as if no deposit was made. The examiner will accept the conclusion set forth in a viability statement issued by a depository recognized under paragraph (c) of this section.

(h) *Furnishing of samples.* A deposit must be made under conditions that assure that:

(1) Public access to the deposit will not be available during pendency of the application or during the term of protection; and

(2) All restrictions on the availability to the public of the deposited material will be irrevocably removed upon the abandonment, cancellation, expiration, or withdrawal of the certificate.

(i) *Examination procedures.* The examiner shall determine, prior to issuance of the certificate, in each application if a voucher sample deposit actually made is acceptable for plant variety protection purposes.

4. Section 97.175 is revised to read as follows:

#### **§ 97.175 Fees and charges.**

The following fees and charges apply to the services and actions specified below:

(a) Filing the application and notifying the public of filing—\$518.00.

(b) Search or examination—\$3,864.00.

(c) Submission of new application data, after notice of allowance, prior to issuance of certificate—\$432.00.

(d) Allowance and issuance of certificate and notifying public of issuance—\$768.00.

(e) Revoke an abandoned application—\$518.00.

(f) Reproduction of records, drawings, certificates, exhibits, or printed material (cost per page of material)—\$1.80.

(g) Authentication (each page)—\$1.80.

(h) Correcting or re-issuance of a certificate—\$518.00.

(i) Recording an assignment, any revision of an assignment, or

withdrawal or revocation of an assignment (per certificate or application)—\$41.00.

(j) Copies of 8 x 10 photographs in color—\$41.00.

(k) Additional fee for reconsideration—\$518.00.

(l) Additional fee for late payment—\$41.00.

(m) Fee for handling replenishment seed sample (applicable only for certificates issued after June 20, 2005)—\$38.00.

(n) Additional fee for late replenishment of seed—\$41.00.

(o) Filing a petition for protest proceeding—\$4,118.00.

(p) Appeal to Secretary (refundable if appeal overturns the Commissioner's decision)—\$4,942.00.

(q) Granting of extensions for responding to a request—\$89.00.

(r) Field inspections by a representative of the Plant Variety Protection Office, made at the request of the applicant, shall be reimbursable in full (including travel, per diem or subsistence, and salary) in accordance with Standardized Government Travel Regulation.

(s) Any other service not covered above will be charged for at rates prescribed by the Commissioner, but in no event shall they exceed \$107.00 per employee-hour.

Dated: July 11, 2005.

**Kenneth C. Clayton,**

*Acting Administrator, Agricultural Marketing Service.*

[FR Doc. 05-13946 Filed 7-14-05; 8:45 am]

**BILLING CODE 3410-02-P**

## **NUCLEAR REGULATORY COMMISSION**

### **10 CFR Part 72**

**RIN 3150-AH72**

#### **List of Approved Spent Fuel Storage Casks: Standardized NUHOMS® -24P, -52B, -61BT, -32PT, -24PHB, and -24PTH Revision; Withdrawal of Proposed Rule**

**AGENCY:** Nuclear Regulatory Commission.

**ACTION:** Proposed rule; withdrawal.

**SUMMARY:** The Nuclear Regulatory Commission (NRC) is withdrawing a proposed rule to revise the NUHOMS® -24P, -52B, -61BT, -32PT, -24PHB, and -24PTH cask system listing within the list of approved spent fuel storage casks to include Amendment No. 8 to Certificate of Compliance (CoC) Number 1004. The NRC is taking this action

because the NRC staff has become aware of changes in the Technical Specifications (TS) associated with this CoC. A notice withdrawing the direct final rule is published in the final rule section of this **Federal Register**.

#### **FOR FURTHER INFORMATION CONTACT:**

Jayne M. McCausland, Office of Nuclear Material Safety and Safeguards, U.S. Nuclear Regulatory Commission, Washington, DC 20555, telephone (301) 415-6219 (e-mail: [jmm2@nrc.gov](mailto:jmm2@nrc.gov)).

**SUPPLEMENTARY INFORMATION:** On May 25, 2005 (70 FR 30015), the NRC published in the **Federal Register** a proposed rule amending its regulations in 10 CFR 72.214 to revise the Standardized NUHOM® System listing within the "List of Approved Spent Fuel Storage Casks" to include Amendment No. 8 to the CoC. Amendment No. 8 modifies the present cask system by adding a new spent fuel storage and transfer system, designated the NUHOMS® -24PTH System. The NRC also concurrently published a direct final rule on May 25, 2005 (70 FR 29931) that would have become effective on August 8, 2005.

The NRC has become aware of changes in the TS associated with this CoC; therefore, the NRC is withdrawing the proposed rule. The NRC will publish a direct final rule, and its companion proposed rule, after the needed revisions to the TS are made.

Dated at Rockville, Maryland, this 6th day of July, 2005.

For the Nuclear Regulatory Commission.

**Martin J. Virgilio,**

*Acting Executive Director for Operations.*

[FR Doc. 05-13932 Filed 7-14-05; 8:45 am]

**BILLING CODE 7590-01-P**

## **NATIONAL CREDIT UNION ADMINISTRATION**

### **12 CFR Chapter VII**

#### **Federal Credit Union Bylaws**

**AGENCY:** National Credit Union Administration (NCUA).

**ACTION:** Notice and request for comment.

**SUMMARY:** NCUA is proposing changes to update, clarify and simplify the Federal Credit Union (FCU) Bylaws. NCUA proposes these changes because numerous bylaw amendments approved by the NCUA Board over the past five years reveal the need to modify bylaws or remove provisions that have become outdated or obsolete.

**DATES:** Comments must be received by October 13, 2005.

**ADDRESSES:** You may submit comments by any of the following methods (Please send comments by one method only):

- Federal eRulemaking Portal: <http://www.regulations.gov>. Follow the instructions for submitting comments.

- NCUA Web Site: [http://www.ncua.gov/RegulationsOpinionsLaws/proposed\\_regs/proposed\\_regs.html](http://www.ncua.gov/RegulationsOpinionsLaws/proposed_regs/proposed_regs.html). Follow the instructions for submitting comments.

- E-mail: Address to [regcomments@ncua.gov](mailto:regcomments@ncua.gov). Include “[Your name] Comments on FCU Bylaws” in the e-mail subject line.

- Fax: (703) 518-6319. Use the subject line described above for e-mail.

- Mail: Address to Mary Rupp, Secretary of the Board, National Credit Union Administration, 1775 Duke Street, Alexandria, Virginia 22314-3428.

- Hand Delivery/Courier: Same as mail address.

**Public inspection:** All public comments are available on the agency’s Web site at <http://www.ncua.gov/RegulationsOpinionsLaws/comments> as submitted, except as may not be possible for technical reasons. Public comments will not be edited to remove any identifying or contact information. Paper copies of comments may be inspected in NCUA’s law library, at 1775 Duke Street, Alexandria, Virginia 22314, by appointment weekdays between 9 a.m. and 3 p.m. To make an appointment, call (703) 518-6546 or send an e-mail to [OGC Mail@ncua.gov](mailto:OGC Mail@ncua.gov).

**FOR FURTHER INFORMATION CONTACT:** Chrisanthy J. Loizos or Elizabeth Wirick, Staff Attorneys, Office of General Counsel, National Credit Union Administration, 1775 Duke Street, Alexandria, Virginia 22314-3428 or telephone: (703) 518-6540.

#### **SUPPLEMENTARY INFORMATION:**

##### **A. Background**

Section 108 of the Federal Credit Union Act (the Act) requires the NCUA Board to prepare bylaws that “shall be used” by FCUs. 12 U.S.C. 1758. In 1999, the NCUA Board issued revised FCU Bylaws. 64 FR 55760 (Oct. 14, 1999). The 1999 revision included consolidating the existing bylaws into one publication, deleting outdated and obsolete bylaws, and using plain English.

In the five years since that revision, NCUA has approved numerous bylaw amendments that tended to clarify or update bylaws to keep pace with changes in technology and business practice. In 2003, NCUA reviewed the FCU Bylaws under the Board’s policy to

“update, clarify and simplify existing regulations and eliminate unnecessary and redundant and unnecessary provisions.” NCUA Interpretive Ruling and Policy Statement (IRPS) 87-2, Developing and Reviewing Government Regulations. As a result of this review, the Board issued a Notice and Request for Comment (Request) soliciting comments on ways to improve the FCU Bylaws. 69 FR 58203 (Sept. 29, 2004). The Request also sought comment on specific, suggested changes to the FCU Bylaws based on amendments FCUs had submitted for approval since 1999.

The Board received comments on the various issues raised in the Request as well as numerous other suggestions for improving the FCU Bylaws and NCUA’s process for issuing the Bylaws and reviewing amendments. This proposal incorporates many of the comments NCUA received in response to the Request. The proposal also continues the process of updating the bylaw language with plain English.

##### **B. Comments**

###### *General*

NCUA received twenty-seven comment letters in response to the Request. NCUA received comments from ten federal credit unions, ten credit union trade organizations, one bank trade organization, five members and one proxy consultant. All of the commenters supported or suggested some change to the current FCU Bylaws. Specific comments regarding the proposed changes noted in the Request and suggestions to alter other bylaw provisions are discussed below in the Article-by-Article Analysis.

###### *Other Suggestions*

Approximately half of the commenters asked NCUA to give FCUs more flexibility to draft their bylaws. Several commenters stated that Section 108 of the FCU Act requires only FCU incorporators to use bylaws prepared by NCUA and does not specifically require FCUs to continue to use NCUA’s draft after incorporation. Six commenters stated NCUA should specify content requirements for the bylaws but permit FCUs to draft their own bylaws. One commenter stated FCUs should adopt bylaws consistent with the state corporation law of the state where they are headquartered, noting that FCUs benefit from the state’s nonprofit corporation laws, as well as guidance developed as a result of relevant state court decisions. Three commenters suggested an alternative to the nonstandard amendment procedures that would give FCUs the option of

following the NCUA model bylaws or adopting their own. Three commenters requested that NCUA give FCUs more flexibility by allowing FCUs to amend their bylaws as they see fit within safety and soundness parameters without obtaining approval from NCUA. They suggested that NCUA allow FCUs to seek approval for nonstandard bylaws but not require it. One commenter incorporated many of these comments by suggesting that NCUA permit FCUs to: (1) Retain the current standard bylaws, along with the options NCUA has approved; (2) submit nonstandard bylaws for approval, if they wish; or (3) draft their own bylaws, or portions of their bylaws, consistent with a list that NCUA would develop containing specific issues and content requirements that an FCU must include.

NCUA believes many of the commenters read the FCU Act too narrowly with regard to NCUA’s responsibility for preparing and approving bylaws. NCUA does not construe Section 108 of the FCU Act to require that only newly chartered FCUs use NCUA’s form bylaws. The Act not only requires NCUA to prepare form bylaws, but requires NCUA to approve proposed bylaws before an FCU’s charter is complete. The Act does not contemplate a period of time after which an FCU may use alternate bylaws. Inherent in NCUA’s responsibility to approve bylaws before an FCU can engage in business, is its authority to approve form bylaw changes and amendments while an FCU operates.

NCUA also believes there are several benefits to issuing FCU Bylaws for all FCUs. The form FCU Bylaws address the member protections the Act affords and function as a contract between the FCU and its members; the FCU Bylaws give members notice of their rights, particularly when they are unfamiliar with the FCU Act. The FCU Bylaws adopted by NCUA also ensure that all FCUs use essentially the same rules for governing themselves, consistent with the requirements and limitations in the Act. This uniformity enhances the significance of the federal charter and has the practical benefit of reducing the amount of examiner time spent reviewing bylaws. Finally, FCUs may request approval to amend their bylaws when appropriate on a case-by-case basis. The amendment process gives FCUs flexibility to adjust with business developments as necessary.

Some commenters questioned the level of detail NCUA currently uses in the bylaws. One commenter stated the current bylaws are not easily comprehensible for FCU officials and

employees. While this proposal deletes a few obsolete provisions, NCUA does not agree that the FCU Bylaws are too detailed. NCUA receives numerous inquiries every year regarding interpretations of various provisions in the FCU Bylaws. The proposal attempts to clarify provisions that have caused confusion in the past. In some instances, a proposed change offers more detail or further elaboration of a concept to help FCU officials, employees and members better understand a provision.

### C. Article-by-Article Analysis

#### *Introduction*

The proposal includes a new Introduction to address generally the function of the FCU Bylaws, methods for amending bylaws and some additional guidance.

#### *Section Headings*

The proposal adds headings to each section of the bylaws in order to make it easier to locate bylaw provisions.

#### *Article II. Qualifications for Membership*

The proposal inserts staff commentary at the end of Article II to address membership-related issues that FCUs commonly question. These staff comments are generally derived from Office of General Counsel opinions regarding membership fees and share balances below par value.

The proposal amends Section 4 to clarify that FCUs may restrict services or access to FCU facilities to members who cause a loss to the FCU or are disruptive to FCU operations.

#### *Article III. Shares of Members*

The proposal inserts staff commentary at the end of Article III to address share-related issues that FCUs commonly question. These staff comments are generally derived from Office of General Counsel opinions regarding payment of membership shares and par value of shares.

The proposal amends Section 4 to clarify the requirement that shares with accrued credits for unpaid dividends will retain those credits if transferred to another member. One commenter suggested this section is confusing and should be deleted because membership shares cannot be transferred. Provisions of Article II and other sections of this Article address the situation where a member draws down an account below the par value of the membership share, so this section need not repeat the requirement for members to maintain deposits equal to one share. Further, NCUA believes this section serves as another reminder of FCUs' member-owned structure.

The proposal deletes paragraph 5(b), which required shares paid in under accumulated payroll deduction plans to be credited to members' accounts before withdrawal of the shares. This paragraph is unnecessary because it addresses operational procedures of the FCU that are subject to the Federal Reserve's Regulations on Electronic Fund Transfers and Funds Availability. 12 CFR parts 205, 229. Also, this paragraph referred to the Accounting Manual for Federal Credit Unions, which applies only to FCUs with assets under \$10 million.

The proposal amends paragraph 5(c) to clarify that coverage provided under an FCU's overdraft protection policy does not count as a delinquency for purposes of triggering the requirement that the credit committee or loan officer approve any withdrawals of shares below the amount of the member's liability to the FCU.

The proposal amends paragraph 5(d) to delete the requirement to discontinue the share account of a deceased member within 4 years. Imposing a specific time limit is unnecessary, and NCUA has approved a number of requests for longer or shorter maximum time limits. The remaining portion of this paragraph allows the FCU to continue the account of a deceased member only until the end of the dividend period in which the administration of the deceased's estate is completed.

The proposal amends Section 7 to permit FCUs to decide whether to allow joint account holders to be members without each opening a separate account. Commenters agreed that this change would give FCUs flexibility in determining how to implement their membership policies and manage their accounts.

#### *Article IV. Meetings of Members*

The proposal amends Section 1 to delete the requirement that the annual meeting be held "within the period authorized by the Act" because the Act no longer specifies a time period for holding the annual meeting. Instead, the proposal adds a blank for the FCU to insert the date of its annual meeting. NCUA believes it is helpful to members to include the date of the annual meeting in the bylaws, and offers examples, such as "during the month of March."

The proposal amends Section 3 to increase the maximum number of member signatures required to call a special meeting from 500 to 750. NCUA is proposing to increase this number because special meetings are expensive to conduct and can be called by only a small percentage of an FCU's

membership. There is no time limit for obtaining the number of signatures required to call a special meeting. Increasing the limit will help ensure that special meetings are called only when an issue is of interest to a broad group of FCU members, but will not prevent members from obtaining a special meeting.

The proposal amends Section 4 to include references to the Act and NCUA regulations where they require items of business for the annual meeting agenda. Several commenters requested that the bylaws not provide a specific list of agenda items, but NCUA believes listing the suggested items and inserting references to requirements under the Act and regulations will help inform FCU members of events at the annual meeting. The proposal adds the requirement that FCUs participating in the Community Development Revolving Loan Program provide reports on the progress of providing needed community services to paragraph (c). 12 CFR 706(b). Paragraph (f) references the Act's requirement for the supervisory committee to report at the annual meeting. 12 U.S.C. 1761d. Paragraph (i) references the Act's requirement to hold elections annually. 12 U.S.C. 1761(a).

The proposal includes a new sentence at the end of Section 4 to notify members of the rules of order or procedure that the FCU will use when conducting member meetings. Members are entitled to know which rules will govern the process for conducting the meeting and making decisions. NCUA has long held the view that, during a membership meeting, an FCU member may make a motion for members to take action if the Act has entrusted the members with such action. Conversely, an FCU board need not recognize a member's motion if the motion is beyond the members' authority under the Act. In preserving the democratic process in FCUs as member-owned institutions, NCUA also has long recognized that members have the right to move for a member vote to recommend board action. If a member has followed the rules of order chosen by an FCU and moves for a membership recommendation to the board, the chair must recognize the motion even though the board is not bound to adopt the recommendation. This process avails members the opportunity to voice any issues, concerns or suggestions they may have for management and becomes part of a meeting's record. The proposal identifies four authorities an FCU may choose. NCUA requests comment on the proposal and alternative procedures, but notes the ability of members to make a motion during a membership meeting is

fundamental to the process and the right to be heard on matters that concern them as FCU members.

#### *Article V. Elections*

The proposal inserts NCUA staff commentary at the end of Article V to address election-related issues that FCUs commonly question. The staff comments regarding eligibility requirements, nomination criteria for the nominating committee, names on ballots, ballot secrecy and plurality voting are generally derived from legal opinions issued by NCUA's Office of General Counsel.

#### *All Options*

The proposal amends Section 4 to delete the second sentence, which read, "A trustee, or other person acting in a representative capacity, is not, as such, entitled to vote." As discussed in the Request, this provision is now outdated because a trust is recognized as a legal entity and may qualify for membership in its own right.

The proposal revises Section 7 to insert a blank space for the minimum age for voting and holding office, so that FCU boards are aware of the need to establish a minimum age. The current version of the bylaws requires the board of directors to adopt a resolution establishing the minimum age. NCUA believes including the actual minimum age in the bylaw, rather than a separate board resolution that may or may not be available to the members, makes it easier for members to determine the age requirements for voting and holding office. The proposal also adds language to Section 7 to clarify that the minimum age for signing nominating petitions or requests for special meetings is the same as the minimum age for voting and holding office.

One commenter suggested adding a self-nomination alternative as Option A5 to this article. The commenter suggested that FCUs notify members they are seeking nominations and allow members to nominate themselves for director positions. All nominees would be included on the ballot, and nominations by petition and from the floor would be prohibited. After considering this suggestion, NCUA decided not to add it to the bylaws. While the potential for broadening the pool of qualified board candidates and allowing more participation by all FCU members is an important goal, NCUA does not believe this goal requires such a drastic change to the bylaws. Rather, an FCU seeking to encourage members to nominate themselves can use its newsletter to publicize that the nominating committee is seeking

nominees. An FCU that wishes to make it easier for members to run for director positions can simply reduce the number of signatures required for nomination by petition. NCUA believes that the current version of the bylaws provides sufficient flexibility to accomplish the commenter's objective.

#### *Options A2, A3 and A4*

The proposal retains the 500 as the maximum number of signatures required for a petition for nomination for a director position in Options A2, A3 and A4. A number of commenters requested an increase in this maximum, or requiring the signatures of 1% of members on nominating petitions regardless of an FCU's size. NCUA has considered this request, but believes that the 500 signature maximum is appropriate. Because the membership of many FCUs is geographically dispersed and many members transact much of their business electronically, the requirement to obtain at least 500 signatures is a significant hurdle to a member seeking a nomination to a director position. Also, signatures on the nominating petitions must be obtained in the time between the mailing of the written notice to members that nominations for vacancies may be made by petition and 40 days before the annual meeting, which may be as few as 30 days. After considering these factors, NCUA believes that the 500 signature maximum should not be increased.

The proposal clarifies language in Section 2 of Options A2, A3 and A4 that might be interpreted as permitting FCUs to designate which candidates are running for a particular open seat. The staff commentary restates NCUA's view that elections are not conducted on a seat by seat basis and the winners of the board elections are the nominees who win the most votes. The revised language in Section 2 conforms the bylaws to NCUA's longstanding interpretation.

#### *Option A4*

The proposal amends Section 2(c)(2) to require FCUs to mail paper ballots to all members when conducting an election by electronic means. The Request sought comments as to whether FCUs should be required to include a mail ballot with its electronic election procedure instructions rather than require a member without the requisite electronic device to request a ballot under Option A4. The majority of commenters opposed this proposal, with one noting that it would defeat the purpose of electronic ballots. NCUA, however, proposes this requirement for

comment again because it believes that members without the equipment or desire to vote electronically should not be subject to additional hurdles in attempting to exercise their vote. Also, NCUA staff has observed an FCU successfully combine its electronic voting instruction and mail ballot on one sheet of paper, providing members with the option and convenience of voting electronically or through the mail.

The proposal clarifies that a "properly designed" ballot under Section 2(d)(5) of Option A4 is one that preserves the secrecy of the ballot. The Request sought comments regarding the design of ballots and what constitutes a "properly designed" ballot under this paragraph, when the ballot, identification form and mailing envelope are combined in one form. The Request asked whether an explicit secrecy requirement should be added to this provision. All nine commenters on this proposal supported including a secrecy requirement.

The proposal retains the specifications for mail ballots under the current bylaws. Unless the FCU adopts one "properly designed" form, the bylaws detail specific requirements for mail ballots, including separate envelopes for the ballot and the identification form within the mailing requirement. Several commenters characterized these requirements as excessively detailed and burdensome. These procedures demonstrate one method of ensuring the secrecy of the balloting process, and FCUs have alternatives such as the combination form also permitted under this option. NCUA, accordingly, does not believe the inclusion of these specifications is overly burdensome and proposes to retain them to demonstrate one option for preserving secrecy.

#### *Article VI. Board of Directors*

The proposal amends Section 2 to clarify that FCU employees, immediate family members of directors or committee members, and a combination of both, cannot constitute a majority of directors on an FCU's board.

The proposal amends Section 4 to provide that FCU directors fill vacancies on the board of directors, credit committee, and supervisory committee "as soon as possible, but no later than the next regularly scheduled board meeting." The proposed language replaces the current standard that directors fill vacancies "within a reasonable time." One commenter stated that the current standard is vague and should be removed. As NCUA noted in the preamble to the 1999 FCU Bylaws,

FCU directors should have “flexibility to deal with different situations and determine what is reasonable under the circumstances” when filling a vacancy. 64 FR 55760, 55762 (Oct. 14, 1999). While NCUA continues to recognize that some flexibility is necessary, NCUA believes that directors must fill vacancies expeditiously to ensure that an FCU’s board functions with the proper amount of directors as dictated by its bylaws. NCUA solicits comments as to whether the FCU Bylaws should include a time frame such as the one proposed so that FCU boards act quickly to fill vacancies. NCUA also welcomes comment on whether another time frame would be appropriate if included in the bylaws.

The proposal adds to the list of board responsibilities in Section 6(d) by acknowledging that boards should establish a training policy for directors and volunteer officials that covers areas such as ethics, fiduciary responsibilities and accounting, as part of the duties customarily performed by boards of directors.

In the Request, NCUA welcomed comments on whether particular corporate governance practices or related issues should be added to the FCU Bylaws, such as board training or ethics. Several commenters offered suggestions in this regard. Two commenters opposed including director training requirements in the bylaws. They stated it would make it more difficult to attract volunteer board members. One commenter noted that the manager should have the necessary training so that the manager can properly inform the board of directors. One commenter did not oppose including corporate governance practices and related issues like board training or ethics in the bylaws but asked that NCUA leave the specifics of these policies to FCUs.

Two commenters did not support including Sarbanes Oxley Act (SOXA) corporate governance provisions in the bylaws because SOXA does not apply to credit unions. They stated NCUA should adopt any standards it wants to impose through rulemaking. Another commenter stated, if NCUA is considering SOXA-like provisions for FCUs, it should recognize fundamental differences between FCUs and public companies. This commenter also stated, while the adoption of director experience requirements, training provisions, and independence standards would enhance safety and soundness, it is not appropriate to address these issues in the bylaws and NCUA should simply identify elements of SOXA that FCUs should adopt. Another commenter

stated FCUs should address good corporate governance practices through policies and procedures rather than detail them in bylaws. One commenter stated the largest and most complex FCUs should be required to comply with the principles of SOXA to the same extent that similarly situated banks must comply.

After reviewing the comments, the NCUA Board agrees that FCUs should establish their own policies and procedures regarding training and ethics and that it is inappropriate to include particular requirements in the FCU Bylaws. Because it would be difficult to fashion provisions suitable for all FCUs in areas such as training, NCUA proposes that the bylaws include, within the board’s responsibilities in Section 6, the adoption of a policy to address training for new and incumbent directors and volunteer officials. NCUA proposes this amendment because training programs particularly help newly elected volunteer directors and committee members become familiar with their new positions and help more experienced individuals keep their knowledge and skills current. NCUA believes FCUs are currently providing various formal and informal training opportunities for their officials and notes that its expectation is that boards of directors will determine their own training needs in the context of an FCU’s activities and resources.

The proposal includes language in Section 7 to remind directors that only a quorum of the remaining directors is necessary to fill vacant board seats as provided in Section 4.

The proposal separates the provisions regarding the removal of directors and credit committee members from that addressing the removal of board officers in the first paragraph of Section 8. One commenter suggested that NCUA amend this paragraph because it discusses the declaration of a director or committee member’s seat as vacant for failing to attend meetings or otherwise failing to perform the duties of the position. It also permits the board to remove a board officer for failure to perform the officer’s duties. The commenter recommended that NCUA revise this section to include only provisions related to directors and amend Article VII and Article VIII to include the provisions about board officers and credit committee members, respectively. The proposal retains these removal provisions for directors, credit committee members and board officers in Section 8 because Article VI generally sets out the powers of the board of directors, particularly the authority to remove and fill vacancies. The proposal,

however, sets apart the provision regarding board officers to make it easier for the reader to locate.

#### *Article VII. Board Officers, Management Officials and Executive Committee*

The proposal amends Section 1 to restate a restriction in Article 6, Section 2 that prevents a management official or assistant management official from serving as board chair.

A commenter asked NCUA to increase the number of days between a board’s reorganization meeting and the annual meeting from seven to thirty days in Section 2 stating that the seven-day limit is onerous when there are scheduling conflicts. Many FCUs hold the first board meeting of the newly elected board immediately following the annual meeting. FCU boards may also conduct meetings by teleconference. NCUA believes it is unnecessary to change the seven-day limit in light of these options and the necessity for board officers to be elected as soon as possible to prevent interruptions in the board’s operation. NCUA, however, seeks comment to determine whether the seven-day limit is a problem for FCUs.

One commenter suggested that NCUA remove Section 6(c), the paragraph requiring the financial officer to post a copy of the current financial statement monthly in a conspicuous place in the FCU. NCUA is not inclined to remove the paragraph. The agency, however, solicits comments regarding the suggestion, particularly on whether FCU members benefit from public access to this information and alternatives to the monthly statements.

The proposal revises Section 10 regarding the appointment of the executive committee and delegations to it. One commenter stated that the first sentence in Section 10 should refer only to the functions authorized under the FCU Act because NCUA’s regulations do not authorize any functions for the executive committee. Another commenter asked NCUA to delineate the authorities a board may delegate to an executive committee. NCUA has incorporated both suggestions in the proposal by clarifying that the FCU Act permits FCU boards to appoint executive committees and requiring that boards be specific in their delegations to executive committees. The proposal also rearranges the sentence listing the positions the board may authorize to approve membership applications so that it is easier to read.

#### *Article IX. Supervisory Committee*

The proposal amends Section 1 to prohibit both the compensated officer

and the financial officer from serving on the supervisory committee. The Request noted that the FCU Act precludes the director who is the "compensated officer" from being the director who can also be on the supervisory committee. 12 U.S.C. 1761(b). The Request proposed replacing "financial officer" with "compensated officer" so that the bylaw regarding this issue is consistent with the FCU Act. Five commenters supported the change. Three commenters raised concerns about the change because they believe the financial officer, whether compensated or not, should not serve on the supervisory committee. They stated that the financial officer must be excluded from the supervisory committee to prevent the person in charge of the financial records from auditing those records. One of these commenters suggested excluding both the financial officer and any compensated director if necessary. NCUA agrees that the bylaws should prohibit both the compensated officer and the financial officer from serving on the supervisory committee as dictated by either the Act or principles of sound internal controls.

One commenter suggested removing the word "all" from Section 4 because it currently requires the supervisory committee to verify the accounts of "all members" with the financial officer even though the supervisory committee rule permits FCUs to use a sampling method to verify accounts. 12 CFR 715.8. NCUA agrees that the rule permits sampling methods for account verification and proposes to remove the word "all" as recommended.

#### *Article XI. Loans and Lines of Credit to Members*

The proposal includes an instruction to FCUs that gives them the option to include business loans in Section 1 for consistency with a similar instruction in Article 1, Section 2.

#### *Article XIII. Deposit of Funds*

The proposal deletes Article XIII but reserves it to retain the current numbering of the bylaws. A commenter suggested that NCUA remove the article's provisions requiring FCUs to set deadlines for depositing funds into a qualified depository. NCUA believes this article is no longer necessary as it addresses a basic issue of safety and soundness. FCUs should be able to deposit funds properly without guidance in the FCU bylaws.

#### *Article XIV. Expulsion and Withdrawal*

The proposal expands the provision in Section 1 by including the two methods to expel a member under the

FCU Act. 12 U.S.C. 1764(a),(b). NCUA believes the additional language about expulsion gives members notice as to the methods allowed by law.

NCUA notes that one commenter asked that the bylaws permit a board to expel a member without a special meeting of the members for extraordinary circumstances, such as when a member poses a threat to the well-being or safety of FCU employees. The commenter noted that an FCU has a duty to protect its employees and should not be subject to a delay if the circumstances require immediate expulsion. Under the FCU Act, a member may be expelled only by members at a special meeting or under board policy for nonparticipation. 12 U.S.C. 1764. As such, a legislative change to the FCU Act must be adopted to allow additional expulsion procedures.

#### *Article XV. Minors*

The proposal amends this article to note that state law controls transactions between FCUs and minors. One commenter stated that this article, which allows shares to be issued in the name of a minor, is unnecessary as the FCU Act already permits this. Another commenter stated that NCUA should provide guidance to FCUs as to what type of shares may be issued in the name of a minor because in many states a person must be eighteen to enter into a legally binding contract. While the article does restate a provision in 12 U.S.C. 1765, NCUA believes the bylaws should include certain provisions in the FCU Act related to member rights, including those pertaining to minors. The proposal, therefore, retains the current language and includes a sentence with regard to the applicability of state law in these transactions.

#### *Article XVI. General*

One commenter asked that NCUA revise Section 3 so that the FCU's board or supervisory committee, or NCUA, can initiate the removal of directors and committee members, but not the membership who have called a special meeting for this purpose. NCUA disagrees with this suggestion and notes that the Model Business Corporation Act permits shareholders to call a special meeting to remove a director. MODEL BUS. CORP. ACT §§ 7.02(a)(2), 8.08(d) (2003). Furthermore, members have the power to elect directors under the FCU Act. 12 U.S.C. 1761(a). Inherent in their authority to elect is the power to remove to directors, so members must be able to initiate the removal process.

The proposal amends Section 6, as suggested by two commenters, to limit

director and committee member access to the FCU's books and records on the condition that they have a proper purpose. This change is consistent with longstanding NCUA policy.

One commenter suggested that NCUA remove Section 7, which requires each member to keep the FCU informed of his or her address but the proposal retains Section 7. NCUA believes this section should remain because the FCU Bylaws are a contract between the FCU and its members, and members should be aware of their responsibility to provide current contact information to the FCU.

#### *Article XVIII. Definitions*

The proposed FCU Bylaws make various adjustments to the definition section. The proposal deletes the definitions of "paid in and unimpaired capital" and "surplus" in Section 1 because the NCUA Board defined these phrases in NCUA's Definitions rule. 12 CFR 700.2(f). Section 1, however, retains the remaining definitions for ease of reference and moves the definition of "immediate family member" from Section 2 to Section 1. The proposal also rearranges the definitions in Section 1 in alphabetical order consistent with plain English principles.

The proposal removes Section 2 from Article XVIII because NCUA's Chartering and Field of Membership Manual contains all the field of membership-related definitions under Section 2. NCUA Interpretive Ruling and Policy Statement 03-1. If an FCU chooses to adopt a more restrictive definition of "immediate family member" or "household" for purposes of determining eligibility in the FCU's field of membership, the FCU may insert its own more restrictive definition in Section 1.

#### **D. Request for Comments**

NCUA seeks comment on the proposed changes to the FCU Bylaws, in addition to any other suggestions to improve or clarify the FCU Bylaws.

So that commenters may easily find the proposed changes in this notice, NCUA has used bold typeface to indicate article and section titles and also has placed the word "(NEW)" in bold to identify provisions with substantive amended language. Proposed deletions appear in brackets. For purposes of publishing this notice in the **Federal Register**, NCUA has identified credit union instructions using the word "Instruction." Further, nonsubstantive plain English changes are not indicated in this notice. A copy of the proposal that identifies each

change and deletion is available on NCUA's Web site or commenters may contact either of the individuals listed in the **FOR FURTHER INFORMATION CONTACT** paragraph above.

By the National Credit Union Administration Board on June 30, 2005.

**Mary F. Rupp,**

*Secretary of the Board.*

## **The Federal Credit Union Bylaws (NEW) Introduction**

*Effective date.* After consideration of public comment, the National Credit Union Administration (NCUA) Board adopted these bylaws on \_\_\_\_\_. Unless a federal credit union has adopted bylaws before \_\_\_\_\_, it must adopt these revised bylaws.

*Adoption of all or part of these bylaws.* Although federal credit unions may retain any previously approved version of the bylaws, the NCUA Board encourages federal credit unions to adopt the revised bylaws because it believes they provide greater clarity and flexibility for credit unions and their officials and members. Federal credit unions may also adopt portions of the revised bylaws and retain the remainder of previously approved bylaws, but the NCUA Board cautions federal credit unions to be extremely careful. Federal credit unions must be careful because they run the risk of having inconsistent or conflicting provisions because of the various options the revised bylaws provide as well as other revisions in the text.

*Bylaw amendments.* Federal credit unions continue to have the flexibility to request a bylaw amendment if the need arises. NCUA must approve any bylaw amendments; federal credit unions may no longer adopt amendments from the "Standard Bylaw Amendments" booklet because the 1999 revisions to the bylaws included sufficient flexibility to make the separate list of standard bylaw amendments superfluous. Thus, NCUA no longer differentiates between "standard" and "nonstandard" bylaw amendments.

The procedure for approval of bylaw amendments is as follows:

- The federal credit union wishing to adopt a bylaw amendment must file a request with its regional director.
- The request must include the section of the bylaws to be amended; the reason for or purpose of the amendment, including an explanation of why the amendment is desirable and what it will accomplish for the credit union; and the specific, proposed wording of the amendment.

- After review by the regional director and consultation within the agency, the regional director will advise the credit union if a proposed amendment is approved.

Federal credit unions considering an amendment may find it useful to review the section of the agency website on bylaws that has opinions issued by the Office of General Counsel about particular bylaw amendments. Even if an identical amendment has been previously approved, the credit union must submit the proposed amendment to NCUA for review under the procedure listed above.

*The nature of the bylaws.* The Federal Credit Union Act requires the NCUA Board to prepare bylaws for federal credit unions. 12 U.S.C. 1758. The bylaws address a broad range of matters concerning a credit union's organization and governance, the relationship of the credit union to its members, and the procedures and rules a credit union follows. The bylaws supplement the broad provisions of: A federal credit union's charter, which establishes the existence of a federal credit union; the Federal Credit Union Act, which establishes the powers of federal credit unions; and NCUA regulations, which implement the Federal Credit Union Act. As a legal matter, a federal credit union's bylaws must conform to and cannot be inconsistent with any provision of its charter, the Federal Credit Union Act, NCUA regulations or other laws or regulations applicable to its operations.

NCUA's long standing view is the bylaws, among other effects, function as a contract between a credit union and its members. While NCUA provides guidance and interpretations of the bylaws, generally state corporate law, to the extent it is consistent with the Federal Credit Union Act and NCUA regulations, determines disputes regarding the enforcement of bylaw provisions. Therefore, NCUA generally does not become involved in resolving internal governance disputes in federal credit unions involving bylaw disputes unless a matter presents a safety and soundness concern.

## **BYLAWS**

### **Federal Credit Union, Charter No.**

#### **(A corporation chartered under the laws of the United States)**

#### **Article I. Name—Purposes**

**Section 1. Name.** The name of this credit union is as stated in Section 1 of the charter (approved organization certificate) of this credit union.

**Section 2. Purposes.** The purpose of this credit union is to promote thrift among its members by affording them an opportunity to accumulate their savings and to create for them a source of credit for provident or productive purposes.

*Instruction:* The credit union may add business as one of its purposes by placing a comma after "provident" and inserting "business."

## **Article II. Qualifications for Membership**

**Section 1. Field of membership.** The field of membership of this credit union is limited to that stated in Section 5 of its charter.

**Section 2. Membership application procedures.** Applications for membership from persons eligible for membership under Section 5 of the charter must be signed by the applicant on forms approved by the board. The applicant is admitted to membership after approval of an application by a majority of the directors, a majority of the members of a duly authorized executive committee, or by a membership officer, and after subscription to at least one share of this credit union and the payment of the initial installment, and the payment of a uniform entrance fee if required by the board. If a person whose membership application is denied makes a written request, the credit union must explain the reasons for the denial in writing.

**Section 3. Maintenance of membership share required.** A member who withdraws all shareholdings or fails to comply with the time requirements for restoring his or her account balance to par value in Article III, Section 3, ceases to be a member. By resolution, the board may require persons readmitted to membership to pay another entrance fee.

**Section 4. (NEW) Continuation of membership.** Once a member becomes a member that person may remain a member until the person or organization chooses to withdraw or is expelled in accordance with the Act and Article XIV of these bylaws. A member who is disruptive to credit union operations may be subject to limitations on services and access to credit union facilities.

*Instruction:* A credit union that wishes to restrict services to members no longer within the field of membership should specify the restrictions in this section.

#### **(NEW) Staff commentary on qualifications for membership:**

*Entrance fee*—FCUs may not vary the entrance fee among different classes of members because the Act requires a



uniform fee. FCUs may, however, eliminate the entrance fee for all applicants.

### Article III. Shares of Members

Section 1. **Par value.** The par value of each share will be \$ \_\_\_\_\_. Subscriptions to shares are payable at the time of subscription, or in installments of at least \$ \_\_\_\_\_ per month.

Section 2. **Cap on shares held by one person.** The board may establish, by resolution, the maximum amount of shares that any one member may hold.

Section 3. **Time periods for payment and maintenance of membership share.** A member who fails to complete payment of one share within \_\_\_\_\_ of admission to membership, or within \_\_\_\_\_ from the increase in the par value of shares, or a member who reduces the share balance below the par value of one share and does not increase the balance to at least the par value of one share within \_\_\_\_\_ of the reduction may be terminated from membership.

Section 4. **Transferability.** Shares may only be transferred from one member to another by an instrument in a form as the board may prescribe. Shares that accrue credits for unpaid dividends retain those credits when transferred.

Section 5. **Withdrawals.** Money paid in on shares or installments of shares may be withdrawn as provided in these bylaws or regulation on any day when payment on shares may be made provided, however, that

(a) The board has the right, at any time, to require members to give up to 60 days written notice of intention to withdraw the whole or any part of the amounts paid in by them.

(b) **(NEW) (RESERVED)** [The board may determine that, if shares are paid in under an accumulated payroll deduction plan as prescribed in the Accounting Manual for Federal Credit Unions, they may not be withdrawn until credited to members' accounts.]

(c) **(NEW)** No member may withdraw any shareholdings below the amount of the member's primary or contingent liability to the credit union if the member is delinquent as a borrower, or if borrowers for whom the member is comaker, endorser, or guarantor are delinquent, without the written approval of the credit committee or loan officer. Coverage of overdrafts under an overdraft protection policy does not constitute delinquency for purposes of this paragraph. Shares issued in an irrevocable trust as provided in Section 6 of this article are not subject to withdrawal restrictions except as stated in the trust agreement.

(d) **(NEW)** The share account of a deceased member (other than one held in joint tenancy with another member) may be continued until the close of the dividend period in which the administration of the deceased's estate is completed [, but not to exceed a period of 4 years].

(e) The board will have the right, at any time, to impose a fee for excessive share withdrawals from regular share accounts. The number of withdrawals not subject to a fee and the amount of the fee will be established by board resolution and will be subject to regulations applicable to the advertising and disclosure of terms and conditions on member accounts.

Section 6. **Trusts.** Shares may be issued in a revocable or irrevocable trust, subject to the following:

When shares are issued in a revocable trust, the settlor must be a member of this credit union in his or her own right. When shares are issued in an irrevocable trust, either the settlor or the beneficiary must be a member of this credit union. The name of the beneficiary must be stated in both a revocable and irrevocable trust. For purposes of this section, shares issued pursuant to a pension plan authorized by the rules and regulations will be treated as an irrevocable trust unless otherwise indicated in the rules and regulations.

Section 7. **(NEW) Joint accounts and membership requirements.**

Instruction: Select one option and check the box corresponding to that option.

#### Option A—Separate account not required to establish membership

Owners of a joint account may both be members of the credit union without opening separate accounts. For joint membership, both owners are required to fulfill all of the membership requirements including each member purchasing and maintaining at least one share in the account.

#### Option B—Separate account required to establish membership

Each member must purchase and maintain at least one share in a share account that names the member as the sole or primary owner. Being named as a joint owner of a joint account is insufficient to establish membership.

#### **(NEW) Staff commentary on shares:**

**Installments**—The Act requires credit unions to permit membership shares to be paid in installments.

**Par value**—FCUs may establish differing par values for different classes of members or types of accounts, provided this action does not violate

any federal, state or local antidiscrimination laws. For example, an FCU may want to establish a higher par value for recent credit union members, without requiring long-time members to bring their accounts up to the new par value. A differing par value may also be permissible for different types of accounts, such as requiring a higher par value for a member with only a share draft account. If a credit union adopts differing par values, all of the possible par values should be stated in Section 1.

**Reduction in share balance below par value**—When a member's account balance falls below the par value, Section 3 requires FCUs to allow members a minimum time period to restore their account balance to the par value before membership is terminated. FCUs may not delete this requirement or delete references to this requirement in Article II, Section 3.

### Article IV. Meetings of Members

Section 1. **(NEW) Annual meeting.** The annual meeting of the members must be held [within the period authorized in the Act,] \_\_\_\_\_ in the county in which any office of the credit union is located or within a radius of 100 miles of an office, at the time and place as the board determines and announces in the notice of the annual meeting.

Instruction: Insert time for annual meeting, for example, "during the month of March/on the third Saturday of April/no later than March 31" in blank.

Section 2. **Notice of meetings required.** At least 30 but no more than 75 days before the date of any annual meeting or at least 7 days before the date of any special meeting of the members, the secretary must give written notice to each member by in person delivery, or by mailing the written notice to each member at the address that appears on the records of this credit union. Notice of the annual meeting may be given by posting the notice in a conspicuous place in the office of this credit union where it may be read by the members, at least 30 days before the meeting, if the annual meeting is to be held during the same month as that of the previous annual meeting and if this credit union maintains an office that is readily accessible to members where regular business hours are maintained. Any meeting of the members, whether annual or special, may be held without prior notice, at any place or time, if all the members entitled to vote, who are not present at the meeting, waive notice in writing, before, during, or after the meeting.



Notice of any special meeting must state the purpose for which it is to be held, and no business other than that related to this purpose may be transacted at the meeting.

**Section 3. (NEW) Special meetings.**

Special meetings of the members may be called by the chair or the board of directors upon a majority vote, or by the supervisory committee as provided in these bylaws. A special meeting must be called by the chair within 30 days of the receipt of a written request of 25 members or 5% of the members as of the date of the request, whichever number is larger. However, a request of no more than [500] 750 members may be required to call a special meeting.

The notice of a special meeting must be given as provided in Section 2 of this article. Special meetings may be held at any location permitted for the annual meeting.

**Section 4. (NEW) Items of business for annual meeting.** The suggested order of business at annual meetings of members is—

(a) Ascertainment that a quorum is present.

(b) Reading and approval or correction of the minutes of the last meeting.

(c) Report of directors, if there is one. For credit unions participating in the Community Development Revolving Loan Program, the directors must report the credit union's progress on providing needed community services, unless a written report on this subject is sent to members, as required by NCUA Regulations.

(d) Report of the financial officer or the chief management official.

(e) Report of the credit committee, if there is one.

(f) Report of the supervisory committee, as required by Section 115 of the Act.

(g) Unfinished business.

(h) New business other than elections.

(i) Elections, as required by Section 111 of the Act.

(j) Adjournment.

To the extent consistent with these bylaws, all meetings of the members will be conducted according to \_\_\_\_\_.

The order of business for the annual meeting may vary from the suggested order, provided it includes all required items and complies with the rules of procedure adopted by the credit union.

**Instruction:** The credit union must fill in the blank with one of the following authorities, noting the edition to be used: Democratic Rules of Order, The Modern Rules of Order, Robert's Rules of Order, or Sturgis' Standard Code of Parliamentary Procedure.

**Section 5. Quorum.** Except as otherwise provided, 15 members constitute a quorum at annual or special meetings. If no quorum is present, an adjournment may be taken to a date at least 7 but not more than 14 days thereafter. The members present at any adjourned meeting will constitute a quorum, regardless of the number of members present. The same notice must be given for the adjourned meeting as is prescribed in Section 2 of this article for the original meeting, except that the notice must be given at least 5 days before the date of the meeting as fixed in the adjournment.

**Article V. Elections**

**Instruction:** The credit union must select one of the four voting options. This may be done by printing the credit union's bylaws with the option selected or retaining this copy and checking the box of the option selected. All options continue with Section 3 of this article.

**Option A1—In-person elections; nominating committee and nominations from floor**

**Section 1. Nomination procedures.** At least 30 days before each annual meeting, the chair will appoint a nominating committee of three or more members. It is the duty of the nominating committee to nominate at least one member for each vacancy, including any unexpired term vacancy, for which elections are being held, and to determine that the members nominated are agreeable to the placing of their names in nomination and will accept office if elected.

**Section 2. Election procedures.** After the nominations of the nominating committee have been placed before the members, the chair calls for nominations from the floor. When nominations are closed, the chair appoints the tellers, ballots are distributed, the vote is taken and tallied by the tellers, and the results announced. All elections are determined by plurality vote and will be by ballot except where there is only one nominee for the office.

**Option A2—In-person elections; nominating committee and nominations by petition**

**Section 1. Nomination procedures.** At least 120 days before each annual meeting, the chair will appoint a nominating committee of three or more members. It is the duty of the nominating committee to nominate at least one member for each vacancy, including any unexpired term vacancy, for which elections are being held, and to determine that the members nominated are agreeable to the placing

of their names in nomination and will accept office if elected.

The nominating committee files its nominations with the secretary of the credit union at least 90 days before the annual meeting, and the secretary notifies in writing all members eligible to vote at least 75 days before the annual meeting that nominations for vacancies may also be made by petition signed by 1% of the members with a minimum of 20 and a maximum of 500.

**(NEW)** The written notice must indicate that the election will not be conducted by ballot and there will be no nominations from the floor when the number of nominees equals the number of positions to be filled. A brief statement of qualifications and biographical data in a form approved by the board of directors will be included for each nominee submitted by the nominating committee with the written notice to all eligible members. Each nominee by petition must submit a similar statement of qualifications and biographical data with the petition. The written notice must state the closing date for receiving nominations by petition. In all cases, the period for receiving nominations by petition must extend at least 30 days from the date that the petition requirement and the list of nominating committee's nominees are mailed to all members. To be effective, nominations by petition must be accompanied by a signed certificate from the nominee or nominees stating that they are agreeable to nomination and will serve if elected to office. Nominations by petition must be filed with the secretary of the credit union at least 40 days before the annual meeting and the secretary will ensure that nominations by petition, along with those of the nominating committee, are posted in a conspicuous place in each credit union office at least 35 days before the annual meeting.

**Section 2. Election procedures.** All persons nominated by either the nominating committee or by petition must be placed before the members. When nominations are closed, the chair appoints the tellers, ballots are distributed, the vote is taken and tallied by the tellers, and the results announced. All elections are determined by plurality vote and will be by ballot except where there is only one nominee for each position to be filled.

**(NEW)** If sufficient nominations are made by the nominating committee or by petition to provide at least as many nominees as positions to be filled, nominations cannot be made from the floor. [Nominations cannot be made from the floor unless insufficient nominations have been made by the

nominating committee or by petition to provide for one nominee for each position to be filled or circumstances prevent the candidacy of the one nominee for a position to be filled. Only those positions without a nominee are subject to nominations from the floor.] In the event nominations from the floor are permitted and result in more nominees than positions to be filled, when nominations have been closed, the chair appoints the tellers, ballots are distributed, the vote is taken and tallied by the tellers, and the results announced. When the number of nominees equals the number of [only one member is nominated for each] positions to be filled, the chair may take a voice vote or declare each nominee elected by general consent or acclamation at the annual meeting.

**Option A3—Election by ballot boxes or voting machine; nominating committee and nomination by petition**

**Section 1. Nomination procedures.** At least 120 days before each annual meeting, the chair will appoint a nominating committee of three or more members. It is the duty of the nominating committee to nominate at least one member for each vacancy, including any unexpired term vacancy, for which elections are being held, and to determine that the members nominated are agreeable to the placing of their names in nomination and will accept office if elected.

The nominating committee files its nominations with the secretary of the credit union at least 90 days before the annual meeting, and the secretary notifies in writing all members eligible to vote at least 75 days before the annual meeting that nominations for vacancies may also be made by petition signed by 1% of the members with a minimum of 20 and a maximum of 500.

**(NEW)** The written notice must indicate that the election will not be conducted by ballot and there will be no nominations from the floor when the [there is only one] number of nominees equals the number of [for each] positions to be filled. A brief statement of qualifications and biographical data in a form approved by the board of directors will be included for each nominee submitted by the nominating committee with the written notice to all eligible members. Each nominee by petition must submit a similar statement of qualifications and biographical data with the petition. The written notice must state the closing date for receiving nominations by petition. In all cases, the period for receiving nominations by petition must extend at least 30 days

from the date of the petition requirement and the list of nominating committee's nominees are mailed to all members. To be effective, nominations by petition must be accompanied by a signed certificate from the nominee or nominees stating that they are agreeable to nomination and will serve if elected to office. Nominations by petition must be filed with the secretary of the credit union at least 40 days before the annual meeting and the secretary will ensure that nominations by petition along with those of the nominating committee are posted in a conspicuous place in each credit union office at least 35 days before the annual meeting.

**Section 2. Election procedures.** All elections are determined by plurality vote. The election will be conducted by ballot boxes or voting machines, subject to the following conditions:

(a) The board of directors will appoint the election tellers;

(b) If sufficient nominations are made by the nominating committee or by petition to provide more nominees than positions to be filled, the secretary, at least 10 days before the annual meeting, will cause ballot boxes and printed ballots, or voting machines, to be placed in conspicuous locations, as determined by the board of directors with the names of the candidates posted near the boxes or voting machines. The name of each candidate will be followed by a brief statement of qualifications and biographical data in a form approved by the board of directors;

(c) After the members have been given 24 hours to vote at conspicuous locations as determined by the board of directors, the ballot boxes or voting machines will be opened, the vote tallied by the tellers, the tallies placed in the ballot boxes, and the ballot boxes resealed. The tellers are responsible at all times for the ballot boxes or voting machines and the integrity of the vote. A record must be kept of all persons voting and the tellers must assure themselves that each person voting is entitled to vote; and

(d) The tellers will take the ballot boxes to the annual meeting. At the annual meeting, printed ballots will be distributed to those in attendance who have not voted and their votes will be deposited in the ballot boxes placed by the tellers, before the beginning of the meeting, in conspicuous locations with the names of the candidates posted near them. After those members have been given an opportunity to vote at the annual meeting, balloting will be closed, the ballot boxes opened, the vote tallied by the tellers and added to the previous count, and the chair will announce the result of the vote.

**Option A4—Election by electronic device (including but not limited to telephone and electronic mail) or mail ballot; nominating committee and nominations by petition**

**Section 1. Nomination procedures.** At least 120 days before each annual meeting, the chair will appoint a nominating committee of three or more members. It is the duty of the nominating committee to nominate at least one member for each vacancy, including any unexpired term vacancy, for which elections are being held, and to determine that the members nominated are agreeable to the placing of their names in nomination and will accept office if elected.

**(NEW)** The nominating committee files its nominations with the secretary of the credit union at least 90 days before the annual meeting, and the secretary notifies in writing all members eligible to vote at least 75 days before the annual meeting that nominations for vacancies may also be made by petition signed by 1% of the members with a minimum of 20 and a maximum of 500. The secretary may use electronic mail to notify members who have opted to receive notices or statements electronically.

**(NEW)** The [written] notice must indicate that the election will not be conducted by ballot and there will be no nominations from the floor when the [there is only one] number of nominees equals the number of [for each] positions to be filled. A brief statement of qualifications and biographical data in a form approved by the board of directors will be included for each nominee submitted by the nominating committee with the [written] notice to all eligible members. Each nominee by petition must submit a similar statement of qualifications and biographical data with the petition. The [written] notice must state the closing date for receiving nominations by petition. In all cases, the period for receiving nominations by petition must extend at least 30 days from the date of the petition requirement and the list of nominating committee's nominees are mailed to all members. To be effective, nominations by petition must be accompanied by a signed certificate from the nominee or nominees stating that they are agreeable to nomination and will serve if elected to office. Nominations by petition must be filed with the secretary of the credit union at least 40 days before the annual meeting and the secretary will ensure that nominations by petition, along with those of the nominating committee, are posted in a conspicuous place in each

credit union office at least 35 days before the annual meeting.

**Section 2. Election procedures. All elections are determined by plurality vote.** All elections will be by electronic device or mail ballot, subject to the following conditions:

(a) The board of directors will appoint the election tellers;

(b) **(NEW)** If sufficient nominations are made by the nominating committee or by petition to provide more [than one] nominees than [for any] positions to be filled, the secretary, at least 30 days before the annual meeting, will cause either a printed ballot or notice of ballot to be mailed to all members eligible to vote. Electronic mail may be used to provide the notice of ballot to members who have opted to receive notices or statements electronically;

(c) If the credit union is conducting its elections electronically, the secretary will cause the following materials to be mailed to each eligible voter and the following procedures will be followed:

(1) One notice of balloting stating the names of the candidates for the board of directors and the candidates for other separately identified offices or committees. The name of each candidate must be followed by a brief statement of qualifications and biographical data in a form approved by the board of directors.

(2) **(NEW)** One mail ballot that conforms to Section 2(d) of this article and one instruction sheet stating specific instructions for the electronic election procedure, including how to access and use the system, and the period of time in which votes will be taken. The instruction will state that members without the requisite electronic device necessary to vote on the system may vote by submitting the enclosed mail ballot [upon written or telephone request] and specify the date the [request] mail ballot must be received by the credit union.

(3) It is the duty of the tellers of election to verify, or cause to be verified the name of the voter and the credit union account number as they are registered in the electronic balloting system. It is the duty of the teller to test the integrity of the balloting system at regular intervals during the election period.

(4) Ballots must be received no later than midnight, 5 calendar days before the annual meeting.

(5) [Voting will be closed at the midnight deadline specified in subsection (4) hereof and the] The vote will be tallied by the tellers. The result must be verified at the annual meeting and the chair will make the result of the vote public at the annual meeting.

(6) **(NEW)** In the event of malfunction of the electronic balloting system, the board of directors may in its discretion order elections be held by mail ballot only. The mail ballots must conform to Section 2(d) of this article and must be mailed once more to all eligible members 30 days before the annual meeting. The board may make reasonable adjustments to the voting time frames above, or postpone the annual meeting when necessary, to complete the elections before the annual meeting.

(d) If the credit union is conducting its election by mail ballot, the secretary will cause the following materials to be mailed to each member and the following procedures will be followed:

(1) **(NEW)** One ballot, clearly identified as the ballot on which the names of the candidates for the board of directors and the candidates for other separately identified offices or committees are printed in random order [as determined by the draw of lots]. The name of each candidate will be followed by a brief statement of qualifications and biographical data in a form approved by the board of directors;

(2) One ballot envelope clearly marked with instructions that the completed ballot must be placed in that envelope and sealed;

(3) One identification form to be completed so as to include the name, address, signature and credit union account number of the voter;

(4) One mailing envelope in which the voter, following instructions provided with the mailing envelope, must insert the sealed ballot envelope and the identification form, and which must have postage prepaid and be preaddressed for return to the tellers;

(5) **(NEW)** When properly designed with features that preserve the secrecy of the ballot, one form can be printed that represents a combined ballot and identification form, and postage prepaid and preaddressed return envelope;

(6) It is the duty of the tellers to verify, or cause to be verified, the name and credit union account number of the voter as appearing on the identification form; to place the verified identification form and the sealed ballot envelope in a place of safekeeping pending the count of the vote; in the case of a questionable or challenged identification form, to retain the identification form and sealed ballot envelope together until the verification or challenge has been resolved;

(7) Ballots mailed to the tellers must be received by the tellers no later than midnight 5 days before the date of the annual meeting;

(8) [Voting will be closed at the midnight deadline specified in subsection (7) hereof and the] The vote will be tallied by the tellers. The result will be verified at the annual meeting and the chair will make the result of the vote public at the annual meeting.

**All options continue here.**

**Section 3. Order of nominations.** Nominations may be in the following order:

(a) Nominations for directors.

(b) Nominations for credit committee members, if applicable. Elections may be by separate ballots following the same order as the above nominations or, if preferred, may be by one ballot for all offices.

**Section 4. (NEW) Proxy and agent voting.** Members cannot vote by proxy. A member other than a natural person may vote through an agent designated in writing for the purpose. [A trustee, or other person acting in a representative capacity, is not, as such, entitled to vote.]

**Section 5. One vote per member.** Irrespective of the number of shares, no member has more than one vote.

**Section 6. Submission of information regarding credit union officials to NCUA.** The names and addresses of members of the board, board officers, executive committee, and members of the credit committee, if applicable, and supervisory committees must be forwarded to the Administration in accordance with the Act and regulations in the manner as may be required by the Administration.

**Section 7. (NEW) Minimum age requirement.** [The board may establish by resolution a minimum age, not greater than 18 years of age, as a qualification for eligibility to vote at meetings of the members, or to hold elective or appointive office, or both.] Members must be at least \_\_\_\_ years of age by the date of the meeting (or for appointed offices, the date of appointment) in order to vote at meetings of the members, hold elective or appointive office, sign nominating petitions, or sign petitions requesting special meetings.

**Instruction:** The credit union may select the absentee ballot provision in conjunction with the voting procedure it has selected. This may be done by printing the credit union's bylaws with this provision or by retaining this copy and checking the box.

**Section 8. Absentee ballots.** The board of directors may authorize the use of absentee ballots in conjunction with the other procedures authorized in this article, subject to the following conditions:

(a) The board of directors will appoint the election tellers;

(b) If sufficient nominations are made by the nominating committee or by petition to provide more than one nominee for any position to be filled, the secretary, at least 30 days before the annual meeting, will cause printed ballots to be mailed to all members of the credit union who are eligible to vote and who have submitted a written request for an absentee ballot;

(c) The secretary will cause the following materials to be mailed to each [such] eligible voter who has submitted a written request for an absentee ballot:

(1) **(NEW)** One ballot, clearly identified as the ballot on which the names of the candidates for the board of directors and the candidates for other separately identified offices or committees are printed in random order [as determined by the draw of the lots]. The name of each candidate will be followed by a brief statement of qualifications and biographical data in a form approved by the board of directors;

(2) One ballot envelope clearly marked with instructions that the completed ballot must be placed in that envelope and sealed;

(3) One identification form to be completed so as to include the name, address, signature and credit union account number of the voter;

(4) One mailing envelope in which the voter, pursuant to instructions provided with the envelope, must insert the sealed ballot envelope and the identification form, and which must have postage prepaid and be preaddressed for return to the tellers;

(5) **(NEW)** When properly designed with features that preserve the secrecy of the ballot, one form can be printed that represents a combined ballot and identification form, and postage prepaid and preaddressed return envelope;

(d) It is the duty of the election tellers to verify, or cause to be verified, the name and credit union account number of the voter as appearing on the identification form; to place the verified identification and the sealed ballot envelope in a place of safekeeping pending the count of the vote; in the case of a questionable or challenged identification form, to retain the identification form and the sealed ballot envelope together until the verification or challenge has been resolved; and in the event that more than one voting procedure is used, to verify that no eligible voter has voted more than one time;

(e) Ballots mailed to the tellers [pursuant to subsection (b) hereof,] must be received by the tellers no later than

midnight 5 days before the date of the annual meeting; and

(f) [After the expiration of the period of time specified in the preceding subsection (e), the voting by absentee ballot will be closed and] Absentee ballots will be deposited in the ballot boxes to be taken to the annual meeting or included in a precount in accordance with procedures specified in Article V, Section 2.

**(NEW) Staff commentary on the election process:**

*Eligibility requirements:* The Act and the FCU Bylaws contain the only eligibility requirements for membership on an FCU's board of directors, which are as follows:

(a) The individual must be a member of the FCU before distribution of ballots;

(b) The individual cannot have been convicted of a crime involving dishonesty or breach of trust unless the NCUA Board has waived the prohibition for the conviction; and

(c) The individual meets the minimum age requirement established under Article V, Section 7 of the FCU Bylaws.

Anyone meeting the three eligibility requirements may run for a seat on the board of directors if properly nominated. It is the nominating committee's duty to ascertain that all nominated candidates, including those nominated by petition, meet the eligibility requirements.

*Nomination criteria for nominating committee:* The FCU Act and the FCU Bylaws do not prohibit a board of directors from establishing reasonable criteria, in addition to the eligibility requirements, for a nominating committee to follow in making its nominations, such as financial experience, years of membership, or conflict of interest provisions. The board's nomination criteria, however, applies only to individuals nominated by the nominating committee; they cannot be imposed on individuals who meet the eligibility requirements and are properly nominated from the floor or by petition.

*Candidates' names on ballots:* When producing an election ballot, the FCU's secretary may order the names of the candidates on the ballot using any method for selection provided it is random and used consistently from year to year so as to avoid manipulation or favoritism.

*Secret ballots:* An FCU must establish an election process that assures members their votes remain confidential and secret from all interested parties. If the election process does not separate the member's identity from the ballot,

FCUs should use a third-party teller that has sole control over completed ballots. If the ballots are designed so that members' identities remain secret and are not disclosed on the ballot, FCUs may use election tellers from the FCU. In any case, FCU employees, officials, and members must not have access to ballots identifying members or to information that links members' votes to their identities.

*Plurality voting:* At least one nominee must be nominated for each vacant seat. When there are more nominees than seats open for election, the nominees who receive the greatest number of votes are elected to the vacant seats.

**Article VI. Board of Directors**

**Section 1. Number of members.** The board consists of \_\_\_\_ members, all of whom must be members of this credit union. The number of directors may be changed to an odd number not fewer than 5 nor more than 15 by resolution of the board. No reduction in the number of directors may be made unless corresponding vacancies exist as a result of deaths, resignations, expiration of terms of office, or other actions provided by these bylaws. A copy of the resolution of the board covering any increase or decrease in the number of directors must be filed with the official copy of the bylaws of this credit union.

**Section 2. (NEW) Composition of board.** \_\_\_\_ (Fill in the number) directors or committee members may be a paid employee of the credit union. \_\_\_\_ (Fill in the number) immediate family members of a director or committee member may be a paid employee of the credit union. In no case may employees, [and] family members, or employees and family members constitute a majority of the board. The board may appoint a management official who \_\_\_\_ (may or may not) be a member of the board and one or more assistant management officials who \_\_\_\_ (may or may not) be a member of the board. If the management official or assistant management official is permitted to serve on the board, he or she may not serve as the chair.

**Section 3. Terms of office.** Regular terms of office for directors must be for periods of either 2 or 3 years as the board determines. All regular terms must be for the same number of years and until the election and qualification of successors. Regular terms must be fixed at the first meeting [beginning], or upon any increase or decrease in the number of directors, so that approximately an equal number of regular terms must expire at each annual meeting.

Section 4. **(NEW) Vacancies.** Any vacancy on the board, credit committee, if applicable, or supervisory committee will be filled [within a reasonable time] as soon as possible, but no later than the next regularly scheduled board meeting, by vote of a majority of the directors then holding office. Directors and credit committee members appointed to fill a vacancy will hold office only until the next annual meeting, at which any unexpired terms will be filled by vote of the members, and until the qualification of their successors. Members of the supervisory committee appointed to fill a vacancy will hold office until the first regular meeting of the board following the next annual meeting of members, at which the regular term expires, and until the appointment and qualification of their successors.

Section 5. **Regular and special meetings.** A regular meeting of the board must be held each month at the time and place fixed by resolution of the board. One regular meeting each calendar year must be conducted in person. If a quorum is present in person for the annual in person meeting, the remaining board members may participate using audio or video teleconference methods. The other regular meetings may be conducted using audio or video teleconference methods. The chair, or in the chair's absence the ranking vice chair, may call a special meeting of the board at any time and must do so upon written request of a majority of the directors then holding office. Unless the board prescribes otherwise, the chair, or in the chair's absence the ranking vice chair, will fix the time and place of special meetings. Notice of all meetings will be given in the manner the board may from time to time by resolution prescribe. Special meetings may be conducted using audio or video teleconference methods.

Section 6. **Board responsibilities.** The board has the general direction and control of the affairs of this credit union and is responsible for performing all the duties customarily performed by boards of directors. This includes but is not limited to the following:

(a) Directing the affairs of the credit union in accordance with the Act, these bylaws, the rules and regulations and sound business practices.

(b) Establishing programs to achieve the purposes of this credit union as stated in Article I, Section 2, of these bylaws.

(c) Establishing a loan collection program and authorizing the chargeoff of uncollectible loans.

(d) **(NEW)** Establishing a policy to address training for newly elected and

incumbent directors and volunteer officials, in areas such as ethics and fiduciary responsibility, regulatory compliance, and accounting, and determining that all persons appointed or elected by this credit union to any position requiring the receipt, payment or custody of money or other property of this credit union, or in its custody or control as collateral or otherwise, are properly bonded in accordance with the Act and regulations.

(e) Performing additional acts and exercising additional powers as may be required or authorized by applicable law.

Instruction: If the credit union has an elected credit committee, you do not need to check a box. If the credit union has no credit committee check Option 1 and if it has an appointed credit committee check Option 2.

#### **Option 1 No Credit Committee**

(f) Reviewing denied loan applications of members who file written requests for review.

(g) Appointing one or more loan officers and delegating to those officers the power to approve or disapprove loans, lines of credit or advances from lines of credit.

(h) In its discretion, appointing a loan review committee to review loan denials and delegating to the committee the power to overturn denials of loan applications. The committee will function as a mid-level appeal committee for the board. Any denial of a loan by the committee must be reviewed by the board upon written request of the member. The committee must consist of three members and the regular term of office of the committee member will be for two years. Not more than one member of the committee may be appointed as a loan officer.

#### **Option 2 Appointed Credit Committee**

(f) Appointing an odd number of credit committee members as provided in Article VIII of these bylaws.

Section 7. **(NEW) Quorum.** A majority of the number of directors, including any vacant positions, constitutes a quorum for the transaction of business at any meeting, except that vacancies may be filled by a quorum consisting of a majority of the directors holding office as provided in Section 4 of this article. Fewer than a quorum may adjourn from time to time until a quorum is in attendance.

Section 8. **(NEW) Attendance and removal.** If a director or a credit committee member, if applicable, fails to attend regular meetings of the board or credit committee, respectively, for 3 consecutive months, or 4 meetings

within a calendar year, or otherwise fails to perform any of the duties as a director or a credit committee member, the office may be declared vacant by the board and the vacancy filled as provided in the bylaws. [The board may remove any board officer from office for failure to perform the duties thereof, after giving the officer reasonable notice and opportunity to be heard.]

The board may remove any board officer from office for failure to perform the duties thereof, after giving the officer reasonable notice and opportunity to be heard.

When any board officer, membership officer, executive committee member or investment committee member is absent, disqualified, or otherwise unable to perform the duties of the office, the board may by resolution designate another member of this credit union to fill the position temporarily. The board may also, by resolution, designate another member or members of this credit union to act on the credit committee when necessary in order to obtain a quorum.

Section 9. **Suspension of supervisory committee members.** Any member of the supervisory committee may be suspended by a majority vote of the board of directors. The members of this credit union will decide, at a special meeting held not fewer than 7 nor more than 14 days after any suspension, whether the suspended committee member will be removed from or restored to the supervisory committee.

#### **Article VII. Board Officers, Management Officials and Executive Committee**

Section 1. **(NEW) Board officers.** The board officers of this credit union are comprised of a chair, one or more vice chairs, a financial officer, and a secretary, all of whom are elected by the board and from their number. The board determines the title and rank of each board officer and records them in the addendum to this article. One board officer, the \_\_\_\_\_, may be compensated for services as determined by the board. If more than one vice chair is elected, the board determines their rank as first vice chair, second vice chair, and so on. The offices of the financial officer and secretary may be held by the same person. If a management official or assistant management official is permitted to serve on the board, he or she may not serve as the chair. Unless removed as provided in these bylaws, the board officers elected at the first meeting of the board hold office until the first meeting of the board following the first annual meeting of the members and

until the election and qualification of their respective successors.

**Section 2. Election and term of office.**

Board officers elected at the meeting of the board next following the annual meeting of the members, which must be held not later than 7 days after the annual meeting, hold office for a term of 1 year and until the election and qualification of their respective successors: provided, however, that any person elected to fill a vacancy caused by the death, resignation, or removal of an officer is elected by the board to serve only for the unexpired term of that officer and until a successor is duly elected and qualified.

**Section 3. Duties of chair.** The chair presides at all meetings of the members and at all meetings of the board, unless disqualified through suspension by the supervisory committee. The chair also performs other duties customarily assigned to the office of the chair or duties he or she is directed to perform by resolution of the board not inconsistent with the Act and regulations and these bylaws.

**Section 4. Approval required.** The board must approve all individuals who are authorized to sign all notes of this credit union and all checks, drafts and other orders for disbursement of credit union funds.

**Section 5. Vice chair.** The ranking vice chair has and may exercise all the powers, authority, and duties of the chair during the chair's absence or inability to act.

**Section 6. Duties of financial officer.** The financial officer manages this credit union under the control and direction of the board unless the board has appointed a management official to act as general manager. Subject to limitations, controls and delegations as the board may impose, the financial officer will:

(a) Have custody of all funds, securities, valuable papers and other assets of this credit union.

(b) **(NEW)** Provide and maintain full and complete records of all the assets and liabilities of this credit union in accordance with forms and procedures prescribed in regulations and other guidance [the Accounting Manual for Federal Credit Unions or otherwise] approved by the Administration, including, for small credit unions, the Accounting Manual for Federal Credit Unions.

(c) Within 20 days after the close of each month, ensure that a financial statement showing the condition of this credit union as of the end of the month, including a summary of delinquent loans is prepared and submitted to the board and post a copy of the statement

in a conspicuous place in the office of the credit union where it will remain until replaced by the financial statement for the next succeeding month.

(d) Ensure that financial and other reports the Administration may require are prepared and sent.

(e) Within standards and limitations prescribed by the board, employ tellers, clerks, bookkeepers, and other office employees, and have the power to remove these employees.

(f) Perform other duties customarily assigned to the office of the financial officer or duties he or she is directed to perform by resolution of the board not inconsistent with the Act, regulations and these bylaws.

The board may employ one or more assistant financial officers, none of whom may also hold office as chair or vice chair, and may authorize them, under the direction of the financial officer, to perform any of the duties devolving on the financial officer, including the signing of checks. When designated by the board, any assistant financial officer may also act as financial officer during the financial officer's temporary absence or temporary inability to act.

**Section 7. Duties of management official and assistant management official.** The board may appoint a management official who is under the direction and control of the board or of the financial officer as determined by the board. The management official may be assigned any or all of the responsibilities of the financial officer described in Section 6 of this article. The board will determine the title and rank of each management official and record them in the addendum to this article. The board may employ one or more assistant management officials. The board may authorize assistant management officials under the direction of the management official, to perform any of the duties devolving on the management official, including the signing of checks. When designated by the board, any assistant management official may also act as management official during the management official's temporary absence or temporary inability to act.

**Section 8. Board powers regarding employees.** The board employs, fixes the compensation, and prescribes the duties of employees as may in the discretion of the board be necessary, and has the power to remove employees, unless it has delegated these powers to the financial officer or management official. Neither the board, the financial officer, nor the management official has the power or duty to employ, prescribe the duties of,

or remove necessary clerical and auditing assistance employed or used by the supervisory committee and, if there is a credit committee, the power or duty to employ, prescribe the duties of, or remove any loan officer appointed by the credit committee.

**Section 9. Duties of secretary.** The secretary prepares and maintains full and correct records of all meetings of the members and of the board, which records will be prepared within 7 days after the respective meetings. The secretary must promptly inform the Administration in writing of any change in the address of the office of this credit union or the location of its principal records. The secretary will give or cause to be given, in the manner prescribed in these bylaws, proper notice of all meetings of the members, and perform other duties he or she may be directed to perform by resolution of the board not inconsistent with the Act, regulations and these bylaws. The board may employ one or more assistant secretaries, none of whom may also hold office as chair, vice chair, or financial officer, and may authorize them under direction of the secretary to perform any of the duties assigned to the secretary.

**Section 10. (NEW) Executive committee.** [The board may appoint an executive committee of not fewer than three directors to serve at its pleasure, to act for it with respect to specifically delegated functions authorized by the Act and regulations.] As authorized by the Act, the board may appoint an executive committee of not fewer than three directors to serve at its pleasure, to act for it with respect to the board's specifically delegated functions. When making delegations to the executive committee, the board must be specific with regard to the committee's authority and limitations related to the particular delegation. The board may also authorize any of the following to approve membership applications under conditions the board and these bylaws may prescribe: an executive committee; a membership officer(s) appointed by the board from the membership, other than a board member paid as an officer; the financial officer; any assistant to the paid officer of the board or to the financial officer; or any loan officer. [The board may also authorize such executive committee or a membership officer(s) appointed by the board from the membership other than a board member paid as an officer, the financial officer, any assistant to the paid officer of the board or to the financial officer or any loan officer, to serve at its pleasure to approve applications for membership under such conditions as

the board and these bylaws may prescribe.] No executive committee member or membership officer may be compensated as such.

Section 11. **Investment committee.** The board may appoint an investment committee composed of not less than two, to serve at its pleasure to have charge of making investments under rules and procedures established by the board. No member of the investment committee may be compensated as such.

Addendum: The board must list the positions of the board officers and management officials of this credit union. They are as follows:

Instruction: Select Option 1 if the credit union has a credit committee and Option 2 if it does not have a credit committee.

#### **Option 1 Article VIII. Credit Committee**

Section 1. **Credit committee members.** The credit committee consists of \_\_\_\_\_ members. All the members of the credit committee must be members of this credit union. The number of members of the credit committee must be an odd number and may be changed to not fewer than 3 nor more than 7 by resolution of the board. No reduction in the number of members may be made unless corresponding vacancies exist as a result of deaths, resignations, expiration of terms of office, or other actions provided by these bylaws. A copy of the resolution of the board covering any increase or decrease in the number of committee members must be filed with the official copy of the bylaws of this credit union.

Section 2. **Terms of office.** Regular terms of office for elected credit committee members are for periods of either 2 or 3 years as the board determines: Provided, however, that all regular terms are for the same number of years and until the election and qualification of successors. The regular terms are fixed at the beginning, or upon any increase or decrease in the number of committee members, that approximately an equal number of regular terms expire at each annual meeting.

Regular terms of office for appointed credit committee members are for periods as determined by the board and as noted in the board's minutes.

Section 3. **Officers of credit committee.** The credit committee chooses from their number a chair and a secretary. The secretary of the committee prepares and maintains full and correct records of all actions taken by it, and those records must be prepared within 3 days after the action. The offices of the chair and secretary may be held by the same person.

Section 4. **Credit committee powers.** The credit committee may, by majority vote of its members, appoint one or more loan officers to serve at its pleasure, and delegate to them the power to approve application for loans or lines of credit, share withdrawals, releases and substitutions of security, within limits specified by the committee and within limits of applicable law and regulations. Not more than one member of the committee may be appointed as a loan officer. Each loan officer must furnish to the committee a record of each approved or not approved transaction within 7 days of the date of the filing of the application or request, and this record becomes a part of the records of the committee. All applications or requests not approved by a loan officer must be acted upon by the committee. No individual may disburse funds of this credit union for any application or share withdrawal which the individual has approved as a loan officer.

Section 5. **Credit committee meetings.** The credit committee holds meetings as the business of this credit union may require, and not less frequently than once a month. Notice of meetings will be given to members of the committee in a manner as the committee may from time to time, by resolution, prescribe.

Section 6. **Credit committee duties.** For each loan or line of credit, the credit committee or loan officer must inquire into the character and financial condition of the applicant and the applicant's sureties, if any, to ascertain their ability to repay fully and promptly the obligations incurred by them and to determine whether the loan or line of credit will be of probable benefit to the borrower. The credit committee and its appointed loan officers should endeavor diligently to assist applicants in solving their financial problems.

Section 7. **Unapproved loans prohibited.** No loan or line of credit may be made unless approved by the committee or a loan officer in accordance with applicable law and regulations.

Section 8. **Lending procedures.** Subject to the limits imposed by applicable law and regulations, these bylaws, and the general policies of the board, the credit committee, or a loan officer, determines the security, if any, required for each application and the terms of repayment. The security furnished must be adequate in quality and character and consistent with sound lending practices. When funds are not available to make all the loans and lines of credit for which there are applications, preference should be given, in all cases, to the smaller

applications if the need and credit factors are nearly equal.

#### **Option 2 Article VIII. Loan Officers (No Credit Committee)**

Section 1. **Records of loan officer; prohibition on loan officer disbursing funds.** Each loan officer must maintain a record of each approved or not approved transaction within 7 days of the filing of the application or request, and that record becomes a part of the records of the credit union. No individual may disburse funds of this credit union for any application or share withdrawal which the individual has approved as a loan officer.

Section 2. **Duties of loan officer.** For each loan or line of credit, the loan officer must inquire into the character and financial condition of the applicant and the applicant's sureties, if any, to ascertain their ability to repay fully and promptly the obligations incurred by them and to determine whether the loan or line of credit will be of probable benefit to the borrower. The loan officers should endeavor diligently to assist applicants in solving their financial problems.

Section 3. **Unapproved loans prohibited.** No loan or line of credit may be made unless approved by a loan officer in accordance with applicable law and regulations.

Section 4. **Lending procedures.** Subject to the limits imposed by law and regulations, these bylaws, and the general policies of the board, a loan officer determines the security if any required for each application and the terms of repayment. The security furnished must be adequate in quality and character and consistent with sound lending practices. When funds are not available to make all the loans and lines of credit for which there are applications, preference should be given, in all cases, to the [smaller] applications for lesser amounts if the need and credit factors are nearly equal.

#### **Article IX. Supervisory Committee**

Section 1. **(NEW) Appointment and membership.** The supervisory committee is appointed by the board from among the members of this credit union, one of whom may be a director other than the financial officer or the compensated officer of the board. The board determines the number of members on the committee, which may not be fewer than 3 nor more than 5. No member of the credit committee, if applicable, or any employee of this credit union may be appointed to the committee. Regular terms of committee members are for periods of 1, 2, or 3 years as the board determines: Provided,



however, that all regular terms are for the same number of years and until the appointment and qualification of successors. The regular terms are fixed at the beginning, or upon any increase or decrease in the number of committee members, so that approximately an equal number of regular terms expires at each annual meeting.

**Section 2. Officers of supervisory committee.** The supervisory committee members choose from among their number a chair and a secretary. The secretary of the supervisory committee prepares, maintains, and has custody of full and correct records of all actions taken by it. The offices of chair and secretary may be held by the same person.

**Section 3. Duties of supervisory committee.** The supervisory committee makes, or causes to be made, the audits, and prepares and submits the written reports required by the Act and regulations. The committee may employ and use clerical and auditing assistance required to carry out its responsibilities prescribed by this article, and may request the board to provide compensation for this assistance. It will prepare and forward to the Administration required reports.

**Section 4. (NEW) Verification of accounts.** The supervisory committee will cause the verification of the accounts of [all] members with the records of the financial officer from time to time and not less frequently than as required by the Act and regulations. The committee must maintain a record of this verification.

**Section 5. Powers of supervisory committee—removal of directors and credit committee members.** By unanimous vote, the supervisory committee may suspend until the next meeting of the members any director, board officer, or member of the credit committee. In the event of any suspension, the supervisory committee must call a special meeting of the members to act on the suspension, which meeting must be held not fewer than 7 nor more than 14 days after the suspension. The chair of the committee acts as chair of the meeting unless the members select another person to act as chair.

**Section 6. Powers of supervisory committee—special meetings.** By the affirmative vote of a majority of its members, the supervisory committee may call a special meeting of the members to consider any violation of the provisions of the Act, the regulations, or of the charter or the bylaws of this credit union, or to consider any practice of this credit

union which the committee deems to be unsafe or unauthorized.

#### Article X. Organization Meeting

**Section 1. Initial meeting.** When application is made for a federal credit union charter, the subscribers to the organization certificate must meet for the purpose of electing a board of directors and a credit committee, if applicable. Failure to commence operations within 60 days following receipt of the approved organization certificate is cause for revocation of the charter unless a request for an extension of time has been submitted to and approved by the Regional Director.

**Section 2. Election of directors and credit committee.** The subscribers elect a chair and a secretary for the meeting. The subscribers then elect from their number, or from those eligible to become members of this credit union, a board of directors and a credit committee, if applicable, all to hold office until the first annual meeting of the members and until the election and qualification of their respective successors. If not already a member, every person elected under this section or appointed under Section 3 of this article, must qualify within 30 days by becoming a member. If any person elected as a director or committee member or appointed as a supervisory committee member does not qualify as a member within 30 days of election or appointment, the office will automatically become vacant and be filled by the board.

**Section 3. Election of board officers.** Promptly following the elections held under the provisions of Section 2 of this article, the board must meet and elect the board officers who will hold office until the first meeting of the board of directors following the first annual meeting of the members and until the election and qualification of their respective successors. The board also appoints a supervisory committee at this meeting as provided in Article IX, Section 1, of these bylaws and a credit committee, if applicable. The members so appointed hold office until the first regular meeting of the board following the first annual meeting of the members and until the appointment and qualification of their respective successors.

#### Article XI. Loans and Lines of Credit to Members

**Section 1. Loan purposes.** Loans may only be made to members and for provident or productive purposes in accordance with applicable law and regulations.

**(NEW) Instruction:** The credit union may add business as one of its purposes by placing a comma after “provident” and inserting “business.”

**Section 2. Delinquency.** Any member whose loan is delinquent may be required to pay a late charge as determined by the board of directors.

#### Article XII. Dividends

**Section 1. Power of board to declare dividends.** The board establishes dividend periods and declares dividends as permitted by the Act and applicable regulations.

#### Article XIII. [Deposit of Funds] (RESERVED)

[Section 1. All funds of this credit union, except for petty cash and cash change funds, must be deposited in such qualified depository or depositories from among those authorized by applicable law and regulations as the board may from time to time by resolution designate; and must be so deposited not later than the \_\_\_\_ (fill in number) banking day after their receipt; provided, however, that receipts in the aggregate of \$\_\_\_\_ (fill in number) or less may be held as long as 1 week before they are deposited.]

#### Article XIV. Expulsion and Withdrawal

**Section 1. (NEW) Expulsion procedure; expulsion or withdrawal does not affect members' liability or shares.** A member may be expelled [only in the manner provided by the Act] by a two-thirds vote of the members present at special meeting called for that purpose, but only after the member has been given the opportunity to be heard. A member also may be expelled under a nonparticipation policy adopted by the board of directors and provided to each member in accordance with the Act. Expulsion or withdrawal will not operate to relieve a member of any liability to this credit union. All amounts paid in on shares by expelled or withdrawing members, before their expulsion or withdrawal, will be paid to them in the order of their withdrawal or expulsion, but only as funds become available and only after deducting any amounts due to this credit union.

#### Article XV. Minors

**Section 1. (NEW) Minors permitted to own shares.** Shares may be issued in the name of a minor. State law governs the rights of minors to transact business with this credit union.

#### Article XVI. General

**Section 1. Compliance with law and regulation.** All power, authority, duties,

and functions of the members, directors, officers, and employees of this credit union, pursuant to the provisions of these bylaws, must be exercised in strict conformity with the provisions of applicable law and regulations, and of the charter and the bylaws of this credit union.

**Section 2. Confidentiality.** The officers, directors, members of committees and employees of this credit union must hold in confidence all transactions of this credit union with its members and all information respecting their personal affairs, except when permitted by state or federal law.

**Section 3. Removal of directors and committee members.** Notwithstanding any other provisions in these bylaws, any director or committee member of this credit union may be removed from office by the affirmative vote of a majority of the members present at a special meeting called for the purpose, but only after an opportunity has been given to be heard.

**Section 4. Conflicts of interest prohibited.** No director, committee member, officer, agent, or employee of this credit union may participate in any manner, directly or indirectly, in the deliberation upon or the determination of any question affecting his or her pecuniary or personal interest or the pecuniary interest of any corporation, partnership, or association (other than this credit union) in which he or she is directly or indirectly interested. In the event of the disqualification of any director respecting any matter presented to the board for deliberation or determination, that director must withdraw from the deliberation or determination; and if the remaining qualified directors present at the meeting plus the disqualified directors or directors constitute a quorum, the remaining qualified directors may exercise with respect to this matter, by majority vote, all the powers of the board. In the event of the disqualification of any member of the credit committee, if applicable, or the supervisory committee, that committee member must withdraw from the deliberation or determination.

**Section 5. Records.** Copies of the organization certificate of this credit union, its bylaws and any amendments to the bylaws, and any special authorizations by the Administration must be preserved in a place of safekeeping. Copies of the organization certificate and field of membership amendments should be attached as an appendix to these bylaws. Returns of nominations and elections and proceedings of all regular and special meetings of the members and directors

must be recorded in the minute books of this credit union. The minutes of the meetings of the members, the board, and the committees must be signed by their respective chairmen or presiding officers and by the persons who serve as secretaries of those meetings.

**Section 6. (NEW) Availability of credit union records.** All books of account and other records of this credit union must be available at all times to the directors and committee members of this credit union provided they have a proper purpose for obtaining the records. The charter and bylaws of this credit union must be made available for inspection by any member and, if the member requests a copy, it will be provided for a reasonable fee.

**Section 7. Member contact information.** Members must keep the credit union informed of their current address.

**Section 8. Indemnification.** (a) The credit union may elect to indemnify to the extent authorized by (check one)

☐ law of the state of \_\_\_\_\_:

☐ Model Business Corporation Act:

The following individuals from any liability asserted against them and expenses reasonably incurred by them in connection with judicial or administrative proceedings to which they are or may become parties by reason of the performance of their official duties (check as appropriate).

☐ current officials

☐ former officials

☐ current employees

☐ former employees

(b) The credit union may purchase and maintain insurance on behalf of the individuals indicated in (a) above against any liability asserted against them and expenses reasonably incurred by them in their official capacities and arising out of the performance of their official duties to the extent such insurance is permitted by the applicable state law or the Model Business Corporation Act.

(c) The term "official" in this bylaw means a person who is a member of the board of directors, credit committee, supervisory committee, other volunteer committee (including elected or appointed loan officers or membership officers), established by the board of directors.

## Article XVII. Amendments of Bylaws and Charter

**Section 1. Amendment procedures.** Amendments of these bylaws may be adopted and amendments of the charter requested by the affirmative vote of two-thirds of the authorized number of members of the board at any duly held

meeting of the board if the members of the board have been given prior written notice of the meeting and the notice has contained a copy of the proposed amendment or amendments. No amendment of these bylaws or of the charter may become effective, however, until approved in writing by the NCUA Board.

## Article XVIII. (NEW) Definitions

**Section 1. General definitions.** When used in these bylaws the terms:

"Act" means the Federal Credit Union Act, as amended.

"Administration" means the National Credit Union Administration.

"Applicable law and regulations" means the Federal Credit Union Act and rules and regulations issued thereunder or other applicable federal and state statutes and rules and regulations issued thereunder as the context indicates (such as The Higher Education Act of 1965).

"Board" means board of directors of the federal credit union.

"Immediate family member" means spouse, child, sibling, parent, grandparent, grandchild, stepparents, stepchildren, stepsiblings, and adoptive relationships.

"NCUA Board" means the Board of the National Credit Union Administration.

["Paid in and unimpaired capital," as of a given date, means the balance of the paid-in share accounts as of such date, less any losses that may have been incurred for which there is no reserve or which have not been charged against undivided earnings.]

"Regulation" or "regulations" means rules and regulations issued by the NCUA Board.

"Share" or "shares" means all classes of shares and share certificates that may be held in accordance with applicable law and regulations.

["Surplus," as of a given date, means the credit balance of the undivided earnings account on such date, after all losses have been provided for and net earnings or net losses have been added thereto or deducted therefrom, as the case may be. Reserves are not considered as a part of the surplus.]

Instruction: A credit union may insert a more restrictive definition of "immediate family member" or "household" than found in NCUA's Chartering and Field of Membership Manual for purposes of determining eligibility in the credit union's field of membership.

[Section 2. If included in the definition of the field of membership in the organization certificate charter of

this credit union, the term or expressions:

(a) "Organizations of such persons" means an organization or organizations composed exclusively of persons who are within the field of membership of this credit union.

(b) "Immediate family member" eligibility is limited to spouse, child, sibling, parent, grandparent or grandchild. For the purposes of this definition, immediate family member includes stepparents, stepchildren, stepsiblings, and adoptive relationships.

Instruction: A credit union may adopt a more restrictive definition of this term by deleting this definition from its bylaws and replacing it with its own more restrictive definition.

(c) "Household" is defined as persons living in the same residence maintaining a single economic unit.

Instruction: A credit union may adopt a more restrictive definition of this term by deleting this definition from its bylaws and replacing it with its own more restrictive definition.]

[FR Doc. 05-13312 Filed 7-14-05; 8:45 am]

BILLING CODE 7535-01-P

## DEPARTMENT OF ENERGY

### Federal Energy Regulatory Commission

**18 CFR Parts 35, 131, 154, 157, 250, 281, 284, 300, 341, 344, 346, 347, 348, 375, and 385**

[Docket No. RM01-5-000]

### Electronic Tariff Filings

July 6, 2005.

**AGENCY:** Federal Energy Regulatory Commission, DOE.

**ACTION:** Notice of additional proposals and procedures.

**SUMMARY:** The Federal Energy Regulatory Commission is making additional proposals, requesting comments, and establishing procedures related to its July 8, 2004, Notice of Proposed Rulemaking (69 FR 43929) (NOPR). The Commission is proposing to revise its prior proposal that natural gas companies and public utilities file pre-existing agreements electronically. The Commission is proposing that only current tariffs and future agreements, and not pre-existing non-conforming rate schedules and agreements, be filed electronically. The Commission is proposing to permit electronic service of all initial and subsequent tariff filings upon the implementation of electronic tariff filing. The Commission is seeking

comment on whether oil pipelines should utilize an approach to tariff filing that differs from the approach to be utilized in the gas pipeline and electric industries. In addition, Commission staff will be establishing a second technical conference in the next few months once the changes to the Commission's software that have been identified are completed. Comments on the non-regulatory text portion of the proposal are anticipated to be due within 60 days after the conference. A future notice will be issued announcing a date for a second technical conference to discuss the electronic tariff filing software to be used in compliance with the NOPR.

**DATES:** August 1, 2005, for comments on the proposed regulatory text, electronic service, and any changes to the method of filing for oil pipelines.

**ADDRESSES:** Comments may be filed electronically via the eFiling link on the Commission's Web site at <http://www.ferc.gov>. Commenters unable to file comments electronically must send an original and 14 copies of their comments to: Federal Energy Regulatory Commission, Office of the Secretary, 888 First Street, NE., Washington, DC 20426. Refer to the Comment Procedures section of the preamble of the Notice of Proposed Rulemaking for additional information on how to file comments.

#### FOR FURTHER INFORMATION CONTACT:

H. Keith Pierce (Technical Information), Office of Markets, Tariffs, and Rates, Federal Energy Regulatory Commission, 888 First Street, NE., Washington, DC 20426. (202) 502-8525. [Keith.Pierce@ferc.gov](mailto:Keith.Pierce@ferc.gov).

Jamie Chabinsky (Legal Information), Office of the General Counsel, Federal Energy Regulatory Commission, 888 First Street, NE., Washington, DC 20426. (202) 502-6040.

[Jamie.Chabinsky@ferc.gov](mailto:Jamie.Chabinsky@ferc.gov).  
Bolton Pierce (Software Information), Office of Markets, Tariffs, and Rates, Federal Energy Regulatory Commission, 888 First Street, NE., Washington, DC 20426. (202) 502-8803. [Bolton.Pierce@ferc.gov](mailto:Bolton.Pierce@ferc.gov).

#### SUPPLEMENTARY INFORMATION:

##### Notice of Additional Proposals and Procedures

1. In a Notice of Proposed Rulemaking (NOPR) issued on July 8, 2004, the Commission proposed to require public utilities, gas and oil pipelines to file tariff and tariff related material electronically.<sup>1</sup> Since the issuance of the

NOPR, Commission staff has been working with industry to develop electronic tariff (eTariff) filing software that will meet the needs of industry, the Commission, and the public alike. In recognition of the complex nature of creating electronic tariff and rate case filing software, the Commission staff hosted a technical conference on June 1, 2005, to discuss the software that has been developed thus far.

2. Based on the results of these efforts, the Commission is proposing two changes to the NOPR intended to ease utilities' burdens in complying and to expand the efficiency of the electronic filing process. The Commission is proposing to exempt old, paper versions of agreements and tariffs that are not being revised frequently from the electronic filing requirement. The Commission also is proposing to allow participants to electronically serve tariff and tariff related material once electronic tariff filing is implemented. Additionally, the Commission is seeking comments on whether oil pipelines should utilize an approach to tariff filing that differs from the approach to be utilized in the gas pipeline and electric industries.

3. Further, the Commission is instructing staff to establish a procedural schedule with respect to completion of the electronic tariff software. The electronic tariff software is being revised to incorporate, where practically feasible, functions requested by conference participants. Staff will hold a second technical conference once the eTariff filing software incorporates these changes, so that the industries can see a demonstration of the functional software. Comments on the software will likely be due 60 days after the second technical conference. The technical conference and comment dates will be announced in a subsequent notice.

##### *Proposed Changes to the NOPR*

##### *Reduction in Compliance Obligations*

4. The Commission's July 8 NOPR proposed that regulated entities convert old or non-conforming paper rate schedules and agreements, for which an electronic version does not exist, into electronic word searchable sections. In light of the technical conference discussion, the Commission proposes to ease the burden of compliance by not requiring regulated entities to convert these materials into electronic format. However, if the materials are amended or changed and refiled, the Commission will require that regulated entities

<sup>1</sup> *Electronic Tariff Filings, Notice of Proposed Rulemaking*, 69 FR 43939 (July 23, 2004) FERC

Stats. & Regs., Proposed Regulations ¶ 32,575 (July 8, 2004) (July 8 NOPR).