

General Areas for Review

NCUA's request for comment states that while corporates are strongly encouraged to adopt any final revised bylaws, they are not required to do so and may instead continue to follow currently approved bylaws or adopt only portions of the revised bylaws. Six commenters supported the flexibility proposed in the supplementary information section. Five of those six commenters requested that NCUA clarify that NCUA approval is not required to adopt portions of the revised bylaws. As the Board stated in the proposed bylaws, "in an effort to achieve maximum participation," the Board will permit corporate FCUs "to adopt portions of the revised bylaws." *Id.* at 79153. NCUA Board approval is not required.

Specific Areas for Review

Article III—Membership

Members Who Leave the Field of Membership

One commenter supported section 4 of the proposed bylaws that states a member of a corporate may remain a member of that corporate until the person or entity withdraws or is expelled. The commenter indicated that the proposed update brings the bylaws in line with NCUA's field of membership (FOM) policy allowing Federal corporates to apply for national FOMs. A trade association commenter also supported the proposed provision in this section permitting a corporate to restrict services to a member no longer in the FOM and addressing the termination of membership in the case of a member of a corporate converting to another form of financial institution. This section is retained as proposed.

Article IV—Shares of Members

Par Value

One commenter opposed the proposed revision in section 1 that eliminates the alternative of paying for a share in a corporate in installments and instead requires the purchase of a share to be made at the time of subscription. The commenter urged NCUA to retain the current bylaw provision giving credit unions the option to pay for corporate shares either in installments or at the time of subscription. The Board considered the comment but because for corporates, the business practicality of permitting the payment of shares in installments is unduly burdensome, it is retaining this revision as proposed.

Article V—Meetings of the Members

Special Meetings and Quorum

One commenter supported the provisions that relax both member requirements for calling a special meeting (section 3) and establishing a quorum (section 4). The commenter indicated that these proposed provisions will provide member credit unions with greater opportunity to provide input into decisions on special matters as they arise. This section is retained as proposed.

Article VI—Elections

Selection of Nominating Committee

In section 1 of this article, the Board proposed changing the term "candidate" to the term "member" in regard to nominating parties for vacant positions relative to elections. One commenter, a corporate credit union opposed the change in terms. The commenter noted its corporate does not have any members who are natural persons. All of the corporate's members are organizational members. The commenter believes the proposed change in terms would mean the corporate's nominating committee would be required to nominate a credit union or other organizational member for each upcoming vacancy on the board of directors. The Board agrees with the corporate's concern and will reinstate the term "candidate" in the final version of the revised bylaws.

Election Conduct

Five commenters supported the addition of electronic balloting, one citing that it will enhance efficiency of the operations of corporates. This section is retained as proposed.

Voting by Trustee

Section 4 prohibits voting by proxy and permits a member other than a natural person to vote through a designated agent. The Board is deleting the sentence that prohibits voting by a trustee because it has no applicability to corporates.

Reporting of Appointments and Election Results

Two commenters disagreed with the proposed addition of section 5 to this article. It requires corporates to notify NCUA of the names and addresses of certain officials and committee members. The commenters believe that the requirement is important but adequately addressed in the Federal Credit Union Act and need not be duplicated in the bylaws. This section was adapted from the Federal Credit Union (FCU) Bylaws for natural person

FCUs. FCU Bylaws, Article V, section 6, October 1999. The Board considered the comment but believes that this issue is of sufficient importance to warrant its inclusion in the bylaws. The Board is retaining this revision as proposed.

Article VII—Board of Directors

Number

One commenter suggested a revision to the proposed wording of section 1. The first sentence states: "The board consists of ____ members elected from among the members and/or designated representatives of members." The corporate proposed changing the "and/or" to "and". The commenter believes that the proposed change reflects the current practice of corporates to have a certain number of board members who are also designated representatives of members. The Board considered the corporate's comment but believes the current provision provides needed flexibility. The Board is retaining this section of the bylaws as proposed.

Suspension of Supervisory Committee Members

One commenter suggested a revision to the proposed wording of section 8. Section 8 provides that members of a corporate will decide, at a special meeting held not fewer than 7 nor more than 14 days after the suspension of a supervisory committee member whether the member will be removed or restored. The corporate believes that the 14 day time frame is far too short to provide adequate notice to members of a special meeting and recommends increasing this time frame to 30 days. The Board is not persuaded by the rationale offered, given the current technological alternatives available for providing timely notification. The Board is retaining this section of the bylaws as proposed.

Miscellaneous

Three commenters are concerned about corporate employees leaving the company's employ and then running for the corporate board. The basis for the concern is that former employees possess inside information and could potentially use this knowledge to inappropriately influence other board members. The commenters suggested NCUA consider adding a bylaw provision to this article that would prohibit employees from serving on the corporate's board of directors for a minimum of two years after termination of employment. The Board considered the comments and concluded that it is not appropriate to limit through a standard bylaw, those individuals who