

BOARD ACTION MEMORANDUM

TO: NCUA Board

DATE: October 19, 2018

FROM: Office of General Counsel

SUBJ: Proposed Rule – Fidelity Bonds (704 and 713)

ACTION REQUESTED: NCUA Board approval to issue the attached proposed rule.

DATE ACTION REQUESTED: November 15, 2018

OTHER OFFICES CONSULTED: Office of Examination and Insurance; Office of National Examinations and Supervision; Asset Management and Assistance Center

VIEWS OF OTHER OFFICES CONSULTED: Concur.

BUDGET IMPACT, IF ANY: Minimal.

SUBMITTED TO INSPECTOR GENERAL FOR REVIEW: Yes

RESPONSIBLE STAFF MEMBERS: Rachel Ackmann, Staff Attorney, Office of General Counsel.

SUMMARY: The proposed rule would amend the fidelity bond requirements under Part 704 for corporate credit unions and under Part 713 for natural person credit unions. The proposed rule would accomplish four objectives. First, it would strengthen a board of directors' oversight of a credit union's fidelity bond coverage. Second, the proposed rule would ensure there is an adequate period to discover and file covered claims following a credit union's liquidation. Third, the proposed rule would formalize a 2017 OGC legal opinion that permits a natural person credit union's fidelity bond to include coverage for certain credit union service organizations (CUSOs). Fourth, the proposed rule would clarify the documents subject to the NCUA Board's approval and require all bond forms receive the NCUA Board's approval every ten years.

RECOMMENDED ACTION: The NCUA Board approve the attached proposed rule.

ATTACHMENT: Proposed rule.