

January 22, 1997

William G. Berg
Financial Management Services Specialist
Florida Credit Union League, Inc.
P.O. Box 3108
Tallahassee, FL 32315-3108

Re: Credit Union Service Organization ("CUSO")
(Your Letter of December 4, 1996)

Dear Mr. Berg:

You requested an interpretation of the conflict of interest provision of NCUA's CUSO rule. You specifically asked whether a CUSO could provide conference travel to its directors and their spouses.

Because the prohibition on payment of officials' expenses by a CUSO is so broad, it is not permissible for a CUSO to directly pay for conference expenses of a CUSO board member who is also an official or senior management employee of an affiliated credit union. For purposes of the CUSO rule, the term "official" means any director or committee member. The term "senior management employee" means the affiliated credit union's chief executive officer (typically this individual holds the title of President or Treasurer/Manager), any assistant chief executive officers (e.g., Assistant President, Vice President or Assistant Treasurer/Manager) and the chief financial officer (Comptroller).

However, it is permissible for the FCU to pay for CUSO-related conference expenses for its officials and senior management employees, as well as one immediate family member per official. If the FCU does pay CUSO-related conference expenses for its officials and their immediate family members, the FCU would need to comply with the requirements of §701.33(b)(2)(i) of NCUA's rules. For the purposes of proper FCU official reimbursement, the term "official" is defined as a person who is or was a member of the board of directors, credit committee or supervisory committee, or other volunteer committee established by the board of directors. The CUSO may also reimburse the FCU for official and senior management employee conference travel costs after payment has been made by the FCU.

If you have any questions, please contact Sparky Conrey, Staff Attorney, at (703) 518-6540.

Sincerely,

Michael J. McKenna
Acting Associate General Counsel

cc: H. Allen Carver
Region III Director

Enclosure

GC/MS:sg
SSIC 4062
96-1217