

BOARD ACTION MEMORANDUM

TO: NCUA Board

DATE: July 1, 2011

FROM: Office of General Counsel and
Office of Examination and Insurance

SUBJ: Proposed Rule – §712

ACTION REQUESTED: Board issuance of the attached proposed rule with a 60-day comment period.

DATE ACTION REQUESTED: July 21, 2011.

OTHER OFFICES CONSULTED: All Regional Directors.

VIEWS OF OTHER OFFICES CONSULTED: Concur.

BUDGET IMPACT, IF ANY: None.

SUBMITTED TO INSPECTOR GENERAL FOR REVIEW: Yes.

RESPONSIBLE STAFF MEMBER: John Kutchev, Deputy Director, Office of Examination and Insurance and Justin M. Anderson, Staff Attorney, Office of General Counsel.

SUMMARY: The attached proposed rule would amend NCUA's credit union service organization (CUSO) regulation, 12 C.F.R. §712, by expanding its requirements that apply to federally insured state-chartered credit unions (FISCUs) to include investment limits for FISCUs that are "less than adequately capitalized" and requirements related to accounting and reporting by CUSOs owned by FISCUs. The rule would also add two new requirements that would apply to both federal credit unions (FCUs) and FISCUs. These new items would include requiring CUSOs to file financial reports directly with NCUA and the appropriate state supervisory authority and requiring subsidiary CUSOs to follow all applicable laws and regulations. Finally, the rule makes conforming amendments to NCUA's regulation on the requirements for insurance to address the items discussed above that apply to FISCUs.

RECOMMENDED ACTION: Recommend the Board issue the proposed rule with a 60-day comment period.

ATTACHMENT: Draft Proposed Rule.