

GC/HMU:bhs

SSIC: 3700

90-0428

[ ]

FROM: Hattie M. Ulan, Associate General Counsel

SUBJ: Nonstandard Bylaw Amendment, [ ]

(Your April 9, 1990, Memorandum)

DATE: May 21, 1990

You requested our comments on a proposed nonstandard bylaw amendment to Article VIII, Section 7 of the Federal Credit Union Bylaws (Bylaws). We have no legal objections to the proposed amendment, although it does seem to be a bit restrictive.

#### ANALYSIS

The proposed amendment imposes a prohibition on directors and supervisory committee members serving as FCU employees. It is very similar to a standard amendment to Article VIII, Section 7. The proposed amendment makes several technical changes to the standard amendment with which we have no problems.

The last sentence of the proposed nonstandard amendment does seem a bit restrictive. The last clause of the standard amendment reads "That no director or committee member or member of the immediate family of a director or committee member may be a paid employee of this credit union." It is proposed to be replaced with "That no director or supervisory committee member, past, present or future may become a paid employee of the credit union." We do not know how the FCU will enforce the restriction against future board members since it does not know who these future board members will be. We also believe a lifetime restriction against directors and supervisory committee members becoming employees is probably not necessary. However, we have no legal problems with the restrictions and defer to your judgment and that of the FCU on this issue.