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SSIC 3701

90-1212

TO: []

FROM: Hattie M. Ulan, Associate General Counsel

SUBJ: Nonstandard Bylaw Amendment Request []

(Your December 3, 1990, Memo)

DATE: January 3, 1991

You have asked for comments on [] (FCU) request for a nonstandard bylaw amendment to Article XV, Section 2 of the Standard Federal Credit Union Bylaws (FCU Bylaws).

ANALYSIS

Article XV, Section 2 of the FCU Bylaws provides in part as follows:

All disbursements of funds of this credit union shall be made by checks or other written instruments signed by the financial officer, chief management official, assistant financial officer, or an assistant management official, and countersigned by the executive officer, or in his absence or inability to serve, by the ranking assistant executive officer

The FCU is suggesting a nonstandard bylaw amendment that reads in part:

All disbursements of funds of this credit union shall be made by checks or other written instruments signed by an employee appointed by the board for that purpose or by a facsimile signature of such employee, and countersigned by the executive officer or in his absence or inability to serve, by the assistant executive officer

Facsimile signatures are permitted under the standard bylaw. The nonstandard bylaw request allows the board to appoint an employee to sign all checks. You have indicated that the employee appointed by the board would probably be the branch manager and/or head teller. The FCU contends that it is inconvenient to use check signing machines. Furthermore, the FCU contends that there is no extra safety provided by the use of check signing machines and that there is really no practical difference between original signatures under their proposed bylaw and facsimile signatures.

There is no legal impediment to amending the bylaws as described. This issue is not addressed in the FCU Act or NCUA's Rules and Regulations. Section 5050.2.3 of the Accounting Manual For Federal Credit Unions suggests the use of check-signing machines if a large volume of checks is issued. You have indicated that you are inclined to deny the request because the proposal would seriously impair internal controls afforded by the present bylaw. We defer to your Office for any safety and soundness considerations as well as any issues of internal control.