

GC/ MFR:bhs
SSIC 6100
97-1253

TO:

FROM: Sheila A. Albin, Associate General Counsel

SUBJ: Nonstandard Bylaw Amendment -
Your Memorandum dated December 16, 1997.

DATE: January 20, 1998

You have asked for our comments on a request from [] Federal Credit Union (the FCU) for a nonstandard bylaw amendment to Article XIX, Section 8 of the Federal Credit Union Standard Bylaw Amendments. The FCU has requested three changes to the standard amendment that permits indemnification of FCU officials and employees. We have no legal objection to the proposed amendments.

First, the FCU proposes limiting indemnification for former officials and employees to those who leave office after the date of the bylaw. Since the standard bylaw amendment allows an FCU the option of providing no indemnification for former officials and employees, a bylaw merely limiting the coverage is permissible.

Second, the FCU wants to state in its bylaw that there is no coverage for criminal or intentional acts against the credit union. The standard bylaw already states that coverage will be provided in accordance with state law. As long as this provision is not in conflict with state law, we have no legal objection to including it in the bylaw.

Finally, the FCU wants to limit indemnification to 90% of the loss over and above insurance coverage. Since there is no legal requirement that an FCU provide indemnification, there is no legal impediment to limiting the amount of coverage.