

GC/ MFR:bhs
SSIC 6100
97-1256

TO:

FROM: Sheila A. Albin, Associate General Counsel

SUBJ: Nonstandard Bylaw Amendment -
Your Memorandum dated December 19, 1997.

DATE: January 20, 1998

You have asked for our comments on a request from [] Federal Credit Union (the FCU) for several nonstandard bylaw amendments. Below are our comments.

Article II, Section 3 and Article III, Section 1. Both proposed amendments require a minimum purchase of 5 shares to join the FCU. As you note, this is in conflict with the Federal Credit Union Act (the Act) which only requires the purchase of one share of stock for membership. 12 U.S.C. §1759. Article II should be entitled "Qualifications for Membership" and Article III should be entitled "Shares of Members". The FCU should be asked to explain this discrepancy.

Article V, Section 2. The proposed amendment changes the minimum notice requirement of the annual meeting from 7 to 30 days. Page 29 of the Federal Credit Union Standard Bylaw Amendments and Guidelines requires an FCU that does away with nominations from the floor and permits nomination by petition to adopt one of the standard bylaw amendments that provide for 75 days notice. Since the FCU is changing its voting procedures from nominations from the floor to nominations by petition, it should adopt the standard amendment to Article V, Section 2.

Article V, Section 4. The proposed amendment changes the permissible time frames for an adjournment from "not fewer than 7 or more than 14 days" to "not fewer than 7 nor more than 15 days". We have no legal objection.

Article VI, Sections 1 and 2. Because the FCU has eliminated nominations from the floor and permits nominations by petition, it is required to adopt the standard bylaw amendments on pp. 31 and 32 of the Federal Credit Union Standard Bylaw Amendments and Guidelines. The FCU is now operating under more formal notice requirements and stricter timeframes. It should be made aware of this.

We concur that the "member in good standing" requirement is legally impermissible.