

TITLE 12 - BANKS AND BANKING

CHAPTER VII - NATIONAL CREDIT UNION ADMINISTRATION PART 700 - DEFINITIONS

Interpretive Ruling and Policy Statement - Exclusions From Gross Income in Computing Reserve Requirements

AGENCY: National Credit Union Administration ACTION: Interpretive Ruling and Policy Statement SUMMARY: This statement indicates that credit unions that receive Central Liquidity Facility dividends directly or through an Agent (or Agent group representative) are permitted to exclude those dividends in computing Federally-imposed reserve requirements.

DATE: Effective upon publication.

ADDRESS: National Credit Union Central Liquidity Facility, 1776 G. Street, N.W., Washington, D.C. 20456.

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On July 2, 1980, the NCUA Board adopted regulations that, among other things, permit credit unions that receive CLF dividends, whether directly or indirectly in the form of dividends on "special share accounts," to exclude these dividends from "gross income" in computing the amount required to be transferred to reserves pursuant to NCUA's reserve requirements.

The question has arisen as to whether CLF dividends passed through state chartered Agent members of the Facility, or through state or federally chartered Agent group representatives and/or members, qualify for the dividend exclusion to the same extent as those passed through federally chartered Agents. The question arises because section 700.1(1)(2) of the NCUA Rules and Regulations provides an exclusion from gross income for dividends paid on "special share accounts," the designation given to CLF stock reimbursement accounts in Federal corporates, without specifically mentioning dividends paid on accounts, however designated, in state chartered corporates that serve the same CLF stock reimbursement purpose.

In providing an exclusion for dividends on CLF stock, whether received directly or through Agents, it was the intent of the NCUA Board to focus on the original source of the dividend -- the CLF -- and not the type of charter, structure of the Agent (i.e., direct or group), or designation given to the account, as the determining factor of whether the dividend is excludable.

Therefore, in computing the transfer to reserves required by NCUA, federally insured credit unions can exclude from "gross income" dividends received directly or indirectly (through any Agent member) from the Facility. In the case of federally insured corporate credit unions, this exclusion applies to CLF dividends received

directly or through an Agent group representative.

Rosemary Brady
SECRETARY OF THE BOARD

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