NCUA-IR - 80-8 RETURN OF CAPITAL UPON WITHDRAWAL FROM MEMBERSHIP IN CLF 07/80

NATIONAL CREDIT UNION ADMINISTRATION

INTERPRETIVE RULING AND POLICY STATEMENT

IRPS No. 80-8

DATE: July 15, 1980

TITLE 12 -- BANKS AND BANKING

CHAPTER VII -- NATIONAL CREDIT UNION ADMINISTRATION

Interpretative Ruling -- Return of Capital Upon Withdrawal From Membership in CLF

AGENCY: National Credit Union Administration

ACTION: Interpretative Ruling and Policy Statement

SUMMARY: This statement sets forth the NCUA Board's policy with respect to the return of CLF capital contributions upon a credit union's withdrawal from membership in the CLF or one or its Agent members.

EFFECTIVE DATE: August 11, 1980

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

FOR FURTHER INFORMATION CONTACT: Mark S. Medvin, Assistant to the President, Central Liquidity Facility, or Todd A. Okun, Senior Attorney, Office of General Counsel, National Credit Union Administration, at the above address. Telephone: (202) 357-1130 (Mr. Medvin), (202) 357-1030 (Mr. Okun).

INTERPRETATION (IRPS No. 80-8)

Section 304(e) of the Federal Credit Union Act (12 USC 1795c(e)) provides that a credit union may withdraw from membership in the National Credit Union Administration Central Liquidity Facility (CLF) six months after notifying the Board of its intention to do so if it owns less than 5 per centum of outstanding CLF stock, and 24 months after notifying the Board if it owns 5 per centum or more of outstanding CLF stock. NCUA regulations apply these same time frames to the adjustment of an Agent member's stock subscription when a credit union accessing the Facility through the Agent withdraws from membership in the Agent (12 CFR 725.6(d)(2)).

It is the opinion of NCUA's General Counsel that application of the 6- and 24-month waiting periods for return of capital is up to the discretion of the NCUA Board. These waiting periods are to protect CLF from the consequences of sudden, unexpected withdrawals of capital, and can be waived or shortened if the Board is satisfied that doing so will not impair the functioning of the CLF. It will be the policy of the NCUA Board to return the capital of withdrawing CLF members as soon as
feasible after receipt of notice of withdrawal. Certain conditions will have to be met in all cases before a waiver or shortening of the waiting period will be granted. These conditions include, but are not limited to, that the withdrawing member repay any CLF loans it has outstanding, that the CLF be in a position to fund the redemption of stock, and that the withdrawal of capital does not place the CLF in violation of the statutory requirement that its borrowings from all sources not exceed twelve times its subscribed capital and surplus (Section 307(4) of the Federal Credit Union Act, 12 USC 1795f(4)). These and other factors bearing on CLF operations will be considered in all cases, and if the Board is satisfied that the return of capital to the withdrawing member will not impair CLF operations, the 6- or 24-month waiting period for return of capital will be waived or shortened.

This policy of returning capital as soon as feasible will be followed not only when a Regular or Agent member withdraws from CLF, but also when a natural person credit union withdraws from membership in an Agent (or from any member of an Agent group) and when a central credit union member of an Agent group withdraws from the Agent group. That is, when a natural person credit union withdraws from an Agent of the CLF (or from a central credit union which is a member of an Agent group), the CLF will adjust the Agent's stock subscription and return to the Agent as soon as feasible that portion of the Agent's required capital contribution attributable to the withdrawing credit union's paid-in and unimpaired capital and surplus. Similarly, when a central credit union member of an Agent group withdraws from the Agent group, the CLF will adjust the Agent group's stock subscription and return to the Agent group as soon as feasible that portion of the Agent group's required capital contribution attributable to the paid-in and unimpaired capital and surplus of the withdrawing central credit union's member natural person credit unions.

ROSEMARY BRADY
Secretary, National Credit Union Administration Board