questions regarding the permissibility of particular data processing services. Current § 7.3500 does not specify in detail the data processing services permissible for national banks.

In light of the rapid advances in data processing equipment and technology in the ten years since the interpretive ruling was last amended, the OCC invites comment on whether the interpretive ruling should be more specific in describing the authorized services a national bank may provide using data processing equipment or technology, and, if so, what services should be included and how should they be described.

Commenters also are asked to address whether the additional language recognizing the authority of national banks to sell legitimate excess capacity in data processing equipment or

technology is needed.

Commenters are also requested to indicate whether the OCC should be more specific in describing permissible sales of excess capacity and, if so, how such sales should be described.

Corporate Governance Procedures (§ 7.2000)

Proposed § 7.2000 is a new section that provides additional guidance regarding national banks' corporate governance procedures. Under proposed § 7.2000, a bank undertaking a corporate governance procedure must comply with applicable statutes and regulations, and safe and sound banking practices. However, where the statutes and regulations are silent on a matter, proposed § 7.2000 establishes a safe harbor for a national bank that undertakes a corporate governance procedure that complies with designated sections of the Model Business Corporation Act (MBCA), sections 6.24, 6.28, 7.01, 7.02, 7.25, 7.26, 8.05, 8.07, 8.20–23, 8.25, 10.03, and 10.09 (1984) (amended 1993). For example, telephonic board meetings for directors of a national bank are not covered by Federal banking statutes or regulations. Under proposed § 7.2000, such meetings would be permissible as provided for under the relevant provision of the MBCA, § 8.20(b) (1984) (amended 1993).

A list of approved MBCA sections are contained in Appendix A to Part 7. The OCC anticipates adding additional provisions over time following a careful review of the procedures' impact on the safe and sound operation of banks.

The OCC invites comment on whether additional sections of the MBCA should be included in the safe harbor.

Proposed § 7.2000(c) also provides that in accordance with the no-objection

procedures contained in Banking Circular 205, the OCC will consider requests for staff guidance on the permissibility of engaging in certain corporate governance practices that are not addressed by applicable Federal banking statutes and regulations or by the designated sections of the MBCA.

The OCC also invites comment on whether the MBCA is the appropriate form of guidance to provide national banks with additional flexibility in structuring their corporate practices to meet new technologies and other corporate changes, or whether the Delaware General Corporation Law or other sources are preferable.

Notice of Shareholders' Meetings (§ 7.2001)

Proposed § 7.2001 clarifies the language of current § 7.4000 and removes the sentence referring to specific statutory provisions concerning conversions, consolidations and mergers of national banks. Proposed § 7.2001 clarifies that the national bank must mail the notice of shareholders' meetings ten days before the proposed meeting.

Director or Attorney as Proxy (§ 7.2002)

Proposed § 7.2002 modifies current § 7.4020 to clarify that a person who is both an officer, and either a director or attorney may not act as proxy. Proposed 7.2002 like current § 7.4020 repeats 12 U.S.C. 61 and states that directors and attorneys may act as proxy.

The OCC invites comment on whether to remove this section as unnecessary.

Annual Meeting for Election of Directors (§ 7.2003)

Proposed § 7.2003 revises current § 7.4105 by removing unnecessary language that merely explains the rationale for the statutory requirement that a director stay in office until a successor has been elected.

Ownership of Stock Necessary To Qualify as Director (§ 7.2005)

Proposed § 7.2005 consolidates and streamlines current § 7.4210 by removing repetitive information and making the provision more readable. Consistent with OCC precedent, proposed § 7.2005 provides that a director's ownership of preferred stock in a national bank may satisfy the requirements of 12 U.S.C. 72. Proposed § 7.2005 also clarifies that the funds used to purchase the required minimum equity interest may be borrowed from the bank or its affiliates. (When funds are borrowed from the bank itself, however, the bank must make

appropriate accounting adjustments to the value of the stock.)

Cumulative Voting in Election of Directors (§ 7.2006)

Proposed § 7.2006 streamlines and simplifies current § 7.4300. Proposed § 7.2006 directly states how shares may be allocated to elect directors if all directors are not elected on the first ballot. The proposal removes an example of this procedure contained in current § 7.4300.

Filling Vacancy in or Increasing Board of Directors (§ 7.2007)

Proposed § 7.2007 modifies current § 7.4305 to clarify that it is "the majority of shareholders or a majority of directors" that may increase the number of directors. Current § 7.4305 uses the more ambiguous term "national bank," creating uncertainty about what body has the ability to act on this issue. Proposed § 7.2007 also eliminates language that repeats the statute, and clarifies the procedures for filling vacancies.

Quorum of the Board of Directors; Proxies Not Permissible (§ 7.2009)

Proposed § 7.2009 clarifies current § 7.4420 to indicate that the OCC requires a national bank's articles of association or bylaws to provide that a quorum of directors is at least a majority of the entire board then in office.

Delegation of Directors' Duties (§ 7.2010)

Proposed § 7.2010 revises current § 7.4425. Proposed § 7.2010 states that while directors may delegate the day-to-day operations of the bank to management, the directors maintain the responsibility for supervising management to ensure that the bank is operated in accordance with policies and procedures established by the board as well as with applicable law, regulations, and safe and sound banking practices.

Compensation Plans (§ 7.2011)

Proposed § 7.2011 combines and condenses current §§ 7.5000, 7.5010, and 7.5015, regarding bonus and profit sharing plans, pension plans, and employee stock option and stock purchase plans, respectively, into one section on compensation plans. The OCC believes these subjects are closely related and thus belong in one section.

President as Director; Chief Executive Officer (§ 7.2012)

Proposed § 7.2012 modifies current § 7.5200 to provide that a person other than the president or a director may