to engage in a particular corporate governance procedure in accordance with the no-objection procedures set forth in Banking Circular 205. Requests should demonstrate how the proposed practice is not inconsistent with applicable Federal statutes or regulations, and is consistent with safe and sound banking practices.

§7.2001 Notice of shareholders' meetings.

A national bank must mail shareholders notice of the time, place, and purpose of all shareholders' meetings at least ten days prior to the meeting by first class mail, unless the OCC determines that an emergency circumstance exists. The articles of association, bylaws or law applicable to national banks may require a longer period of notice and/or specific means of delivery.

§7.2002 Director or attorney as proxy.

Any person or group of persons except the bank's officers, clerks, tellers, or bookkeepers may be designated to act as proxy. The bank's directors or attorneys may act as proxy. An individual who is both an officer and either a director or attorney may not act as proxy.

§ 7.2003 Annual meeting for election of directors.

When the day fixed for the regular annual meeting of the shareholders falls on a legal holiday in the state in which the bank is located, the shareholders' meeting shall be held, and the directors elected, on the next following banking day.

§ 7.2004 Honorary directors or advisory board.

A national bank may appoint honorary or advisory members of the board of directors to act in advisory capacities without voting power or power of final decision in matters concerning the business of the bank. Any listing of such honorary or advisory directors must distinguish between them and the bank's board of directors or indicate their advisory status.

§7.2005 Ownership of stock necessary to qualify as director.

- (a) General. A national bank director must own a qualifying equity interest in a national bank or a company that has control of a national bank. The director must own the qualifying equity interest in his or her own right and meet a certain minimum threshold ownership.
- (b) Qualifying equity interest—(1) Minimum required equity interest. For purposes of this section, a qualifying equity interest includes common or preferred stock that has an aggregate par

value of not less than \$1,000 in the case of a director whose sole equity interest is held in the stock of a national bank. In the case of a director whose sole equity interest is held in the stock of a company that controls a national bank, the common or preferred stock must have an aggregate par value of not less than either \$1,000, an aggregate shareholders' equity of \$1,000, or an aggregate fair market value of \$1,000.

(i) The value of the common or preferred stock held by a national bank director is valued as of the date purchased or the date on which the individual became a director, whichever

value is greater.

(ii) In the case of a company that owns more than one national bank, a director may use his or her equity interest in the controlling company to satisfy, in whole or part, the equity interest requirement for any or all of the controlled national banks.

(iii) Upon request, the OCC may consider whether other interests in a company controlling a national bank constitute an interest equivalent to \$1,000 par value of national bank stock.

(2) Joint ownership and tenancy in common. Shares held jointly or as a tenant in common are qualifying shares held by a director in his or her own right only to the extent of the aggregate value of the shares which the director would be entitled to receive on dissolution of the joint tenancy or tenancy in common.

(3) Shares in a living trust. Shares deposited by a person in a living trust (inter vivos trust) as to which the person is a trustee and retains an absolute power of revocation are shares owned by the person in his or her own right.

(c) *Non-qualifying ownership.* The following are not shares held by a director in his or her own right:

- (1) Shares pledged by the holder to secure a loan. However, all or part of the funds used to purchase the required qualifying equity interest may be borrowed from any party, including the bank or its affiliates;
- (2) Shares that are purchased subject to an absolute option vested in the seller to repurchase the shares within a specified period; and
- (3) Shares deposited in a voting trust where the depositor surrenders:
- (i) Legal ownership (depositor ceases to be registered owner of the stock);
- (ii) Power to vote the stock or to direct how it shall be voted; or
- (iii) Power to transfer legal title to the stock.

§7.2006 Cumulative voting in election of directors.

When electing directors, a shareholder shall have as many votes as

the number of directors to be elected multiplied by the number of the shareholder's shares. The shareholder may cast all these votes for one candidate, or distribute the votes among as many candidates as the shareholder chooses. If, after the first ballot, subsequent ballots are necessary to elect directors, a stockholder may not vote shares that he or she has already fully cumulated and voted in favor of a successful candidate.

§7.2007 Filling vacancy in or increasing board of directors.

A majority of the board of directors or a majority of the shareholders may increase the number of the bank's directors within the limits specified in 12 U.S.C. 71a. The board of directors may appoint persons to fill the resulting vacancies between meetings of shareholders, if authorized by the bank's articles of association. A majority of the board of directors or a majority of the shareholders may increase the number of directors by up to two directors, when the number of directors last elected by shareholders was 15 or less, and by four directors, when the number of directors last elected by shareholders was 16 or more.

§7.2008 Oath of directors.

- (a) Administration of the oath. A notary public, including one who is a director but not an officer of the national bank, may administer the oath of directors. An officer, other than an officer of the bank, having an official seal and authorized by the state to administer oaths, may also administer the oath.
- (b) Execution of the oath. All directors attending the organization meeting must execute either the joint or individual oath. Directors not attending the organization meeting (the first meeting after the election of the directors) must execute the individual oath. A director must take another oath upon re-election, notwithstanding uninterrupted service. Appropriate sample oaths are located in the "Comptroller's Manual for Corporate Activities."

$\S\,7.2009$ Quorum of board of directors; proxies not permissible.

The articles of association or bylaws of a national bank shall provide that, for the transaction of business, a quorum of the board of directors is at least a majority of the entire board then in office. A national bank director may not vote by proxy.

§7.2010 Delegation of directors' duties.

The board of directors of a national bank has the responsibility for supervising the management of the bank