

chartered credit unions obtaining and maintaining federal insurance, contains requirements that are not included in part 741. This proposal corrects those shortcomings by addressing, in part 741, all regulations and requirements that apply to FISCUs. This revision will aid FISCUs by simplifying the process of determining which regulations they must follow. The revision does not impose any additional requirements or new burdens on FISCUs.

Additionally, the proposed revision reorganizes part 741 into subparts A and B. Subpart A contains requirements that apply to all insured credit unions and are not codified elsewhere in NCUA's regulations. Subpart B contains requirements that are set forth in various other parts of NCUA's regulations affecting FCUs and that are, by incorporation in part 741, applicable to FISCUs as well.

Section-by-Section Analysis

Proposed Section 741.0

This section has been modified to include an explanation of new subpart A which contains substantive requirements that are not codified elsewhere in this chapter and new subpart B which lists additional regulations, set forth elsewhere in this chapter as applying to federal credit unions, that also apply to FISCUs.

Subpart A

Proposed Sections 741.1, 741.2, 741.4, 741.5, 741.6, 741.7, 741.8 and 741.9.

In the current part 741, these sections appear as §§ 741.7, 741.5, 741.11, 741.10, 741.13, 741.12, 741.4 and 741.14, respectively. Except for the renumbering, the sections are unchanged. Only technical changes are made to these sections. They are as follows: The sections are renumbered. Section 741.1 is revised to clarify that pursuant to NCUA's examination authority, records and documents must be made available to the NCUA Board or its representative. The last fifteen words of section 741.2 are dropped because they are redundant. Section 741.4(b)(3) is revised to clarify that the NCUA Board may temporarily establish a normal operating level for the NCUSIF of less than 1.3%. Section 741.4(d) is revised to clarify that the annual insurance premium may be waived by the NCUA Board.

Proposed Section 741.3

This proposed section on criteria for insurance is a restatement of the existing § 741.9, with some minor changes. The introduction has been amended by adding the phrase, "and in

continuing insurability" after "insurance" to clarify that the criteria listed in this section apply in order to maintain, as well as to obtain, federal insurance.

Proposed § 741.3(a)(3) incorporates a requirement imposed on FISCUs by the Agreement for Insurance of Accounts. An Investment Valuation Reserve Account must be established for those investments owned by FISCUs that do not conform to NCUA's investment regulation for federal credit unions (12 CFR part 703). The reserve must equal the net excess of book value over current market value. If the market value cannot be determined, a reserve equal to the full book value must be established. Current § 741.9(a)(3) requires a special reserve account, but does not address the market value issue.

The requirement that state-chartered corporate credit unions comply with part 704 has not been carried over from current § 741.9(a)(3) to proposed § 741.3(a)(3), because it is contained in proposed § 741.3(b)(3).

Similarly, the requirement that management agree to comply with "full and fair disclosure" has not been carried over from current § 741.9(c) to proposed § 741.3(c), because it is contained in proposed § 741.3(a)(1).

Proposed Section 741.10

This section is new and incorporates requirements currently imposed on FISCUs by the Agreement for Insurance of Accounts. It affects those FISCUs permitted by state law to accept uninsured nonmember shares or deposits. The FISCU is required to identify these nonmember accounts as nonmember shares or deposits on all statements or reports required by the NCUA Board and advise, in writing, any nonmember share and deposit holders that their accounts are not insured by NCUSIF. This would not apply to low income nonmember deposits that are insured pursuant to § 701.32.

Subpart B

Proposed Sections 741.201, 741.203, 741.204 and 741.205

These proposed sections appear in the current rule as §§ 741.1, 741.3, 741.6 and 741.8 respectively. Except for renumbering, these sections remain unchanged.

Proposed Section 741.202

This section appears in the current rule as § 741.2. It is changed for clarification purposes only. Proposed § 741.202(b) substitutes the term "financial officer" for "treasurer". The purpose of the change is to conform the

wording to the Federal Credit Union Bylaws.

Proposed Sections 741.206 Through 741.218

As described below, these sections refer to other existing regulations that apply to FISCUs and are not currently addressed in part 741.

Proposed Section 741.206

This new section addresses NCUA's regulation concerning Corporate Credit Unions (part 704).

Proposed Section 741.207

This new section addresses the Community Development Revolving Loan Program for Credit Unions and Designation as a Low Income Credit Union (part 705 and § 701.32(d)).

Proposed Section 741.208

This new section provides that FISCUs choosing to merge or voluntarily terminate or convert their insured status must meet the requirements of Section 206 of the FCU Act (12 U.S.C. 1786) and parts 708a and 708b of the NCUA Rules and Regulations.

Proposed Section 741.209

This new section addresses Management Official Interlocks (part 711).

Proposed Section 741.210

This new section addresses the Central Liquidity Facility (part 725).

Proposed Section 741.211

This new section addresses Advertising (part 740).

Proposed Section 741.212

This new section addresses Share Insurance (part 745).

Proposed Section 741.213

This new section addresses Administrative Actions, Adjudicative Hearings, Rules of Practice and Procedure, and Investigations (part 747).

Proposed Section 741.214

This new section addresses the Report of Crime or Catastrophic Act and Bank Secrecy Act compliance (part 748).

Proposed Section 741.215

This new section addresses the Records Preservation Program (part 749).

Proposed Section 741.216

This new section addresses Flood Insurance (part 760).

Proposed Section 741.217

This new section addresses Truth in Savings (part 707).