

PART 708a—MERGERS OR CONVERSIONS OF FEDERALLY-INSURED CREDIT UNIONS: NCUA APPROVAL

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APPENDIX A TO PART 708a—NOTICE TO MEMBERS OF SPECIAL MEETING, DISCLOSURE AND BALLOT

AUTHORITY: 12 U.S.C. 1766, 12 U.S.C. 1785.

SOURCE: 60 FR 12661, Mar. 8, 1995, unless otherwise noted.

§ 708a.1 NCUA Board approval.

Section 205(b)(1) of the Federal Credit Union Act requires NCUA Board approval in advance of any transaction whereby a federally-insured credit union transfers all or any part of its members' accounts to any non credit union institution. This part establishes rules and procedures for any merger, conversion or other transaction in which a federally-insured credit union's share accounts or similar member accounts are transferred to a non credit union institution. Transactions where a federally-insured credit union transfers member accounts to another credit union are subject to the provisions of part 708b of this chapter. Compliance with this part 708a is in addition to any other federal or state laws and regulations which may be applicable to the proposed transaction, including state corporate laws and state and federal securities laws.

§ 708a.2 Plan for merger or conversion to a non credit union institution.

(a) *Proposition for merger or conversion.* The board of directors of the credit union shall approve a proposition for merger or conversion.

(b) *Plan for merger or conversion.* Upon approval of a proposition for merger or conversion by the board of directors, a plan for the transaction shall be prepared. The plan shall include:

- (1) Current financial reports;

- (2) Current delinquent loan schedules annotated to reflect collection problems;

- (3) Combined financial report, if applicable;

- (4) Contingencies;

- (5) Explanation of any provisions for reserves, undivided earnings or dividends;

- (6) Analyses of share values and explanation of any adjustments to member's share accounts;

- (7) Analyses of the regulatory effect of the merger or conversion brought about by the change in government regulator;

- (8) Explanation of any other relevant effects on the members; and

- (9) Any additional information, as required by the NCUA Regional Director.

(c) *Nonpreferential treatment.* The plan for merger or conversion shall provide that, for a period of at least two years after the effective date of the transaction:

- (1) No director of the credit union may receive any compensation or any benefits not provided or available to other members; and

- (2) No director or senior management official of the credit union shall be allowed to acquire stock in the resulting or continuing institution or any successor institution, on any terms other than those readily available to all members of the former credit union. This prohibition would include stock issued for services rendered prior to the merger or conversion. For purposes of this section, *senior management official* means the credit union's chief executive officer, any assistant chief executive officers and the chief financial officer.

§ 708a.3 Submission of proposal to NCUA.

(a) *Submissions to the NCUA Regional Director.* Upon approval of the plan by the board of directors of the credit union, the following will be submitted to the appropriate NCUA Regional Director:

- (1) The plan, as described in § 708a.2(b) of this part;

- (2) A resolution of the board of directors approving the plan;

- (3) A written agreement from each member of the board of directors and