

money orders, and travelers checks; loan services; safe deposit boxes; trust services; sale and redemption of U.S. Savings Bonds; and acceptance of utility payments.

Full-Service Credit Union. A credit union that provides full-time counter transaction services, to include cash operations, and is staffed during normal working hours by a loan officer, a person authorized to sign checks, and a qualified financial counselor. In overseas areas, "full service" includes cash operations where not prevented by:

(a) Host-country law or regulation, or

(b) Physical security requirements that cannot be resolved by the credit union or local command.

Full-Time. Refers to a banking facility or credit union branch that operates at least 5 days a week.

Independent Bank. A bank specifically chartered to operate on a DoD installation, whose directors and officers usually come from the local business and professional community. Such operations are thus differentiated from countywide or statewide branch systems consisting of a head office and one or more geographically separate branch offices.

Malpractice. Any unreasonable lack of skill or fidelity in fiduciary duties, or the intentional violation of an applicable law or regulation, or both, that governs the operations of the financial institution. A violation shall be considered intentional if the responsible officials know that an action or inaction violated a law or regulation.

National Bank. An association approved and chartered by the Comptroller of the Currency to operate a banking business.

On-base. Refers to physical presence on a domestic or overseas DoD installation.

Operating Agreement. A mutual agreement between the DoD installation commander and on-base financial institution regarding their relationships.

Overseas DoD Installation. A military installation (or community) located outside the States of the United States, the District of Columbia, or the Commonwealth of Puerto Rico.

Part-Time. Refers to a banking facility or credit union branch that oper-

ates fewer than 5 days a week, exclusive of additional payday service.

Regulatory Agency. Includes the Office of the Comptroller of the Currency; the Federal Deposit Insurance Corporation; the Federal Home Loan Bank Board; the several Federal Reserve Banks and the Board of Governors of the Federal Reserve System; the National Credit Union Administration; the various State agencies and commissions that oversee financial institutions; and, for banking facilities, the Fiscal Assistant Secretary of the Treasury.

Savings Association. A State or federally chartered mutual or stock savings institution, to include savings and loan associations, building and loan associations, homestead associations, and savings banks.

Share Draft. A negotiable or nonnegotiable draft or other order prepared by a credit union member and used to withdraw shares from a share draft account, normally through the commercial banking system.

State Bank. An institution, organized and chartered under the laws of a State of the United States, to operate a banking business within that State.

State Credit Union. An institution, organized and chartered under the laws of a State of the United States, that operates under the same general principles as a Federal credit union and is supervised and examined by a State regulatory agency or commission.

§231.4 Policy.

(a) Duly chartered financial institutions may be authorized to provide services, where demonstrated and justified needs exist, to facilitate the administration of public and quasi-public monies and enhance the morale and welfare of DoD personnel.

(b) Financial institutions shall be established on DoD installations only after approval by the appropriate regulatory agency and the DoD Component concerned.

(1) Independent or branch banks, full-service credit unions, and savings associations are the preferred sources of on-base service at domestic installations.

(2) Banking facilities shall be established on DoD installations only when

a demonstrated and justified need cannot be met through other means. Normally, banking facilities shall be used only at overseas locations and in States that prohibit branch banking. In times of mobilization, it may become necessary to designate additional banking facilities as an emergency measure. Upon recommendation by a DoD Component, banking facilities are designated by the Treasury Department under 12 U.S.C. 265.

(3) The extension of banking facility and credit union services overseas is encouraged, consistent with the policies stated herein and with pertinent status of forces agreements, bilateral arrangements, and local laws.

(4) Retail banking operations shall not be performed by DoD activities. DoD Components shall rely on commercially available sources in accordance with DoD Directive 4100.15⁴ (32 CFR part 169). However, proposals to seek the provision of financial services by institutions off the installation, when such services are available from existing on-base institutions, shall be approved by the DoD Component headquarters only after consultation with the Comptroller, Department of Defense (C, DoD).

(c) Financial institutions authorized to locate on DoD installations shall be provided logistic support as set forth in DoD Instructions 1000.10 and 1000.12.

(d) Military disbursing offices, non-appropriated fund instrumentalities, and other DoD installation activities shall use on-base financial institutions to the maximum extent feasible and consistent with sound management practice.

(e) DoD personnel who tender uncollectible checks, overdraw their accounts, or fail to meet their financial obligations in a proper and timely manner damage their credit reputation and affect the public image of all DoD personnel. Furthermore, losses sustained by financial institutions on DoD installations as a result of these actions increase operating costs and may reduce the institutions' viability. Such added operating costs must be borne by other customers and, in some cases, may increase the cost to the Govern-

ment of providing on-base financial services. Military financial counselors or legal advisors shall recommend workable repayment plans that avoid further endangering credit ratings and careers of affected personnel. Counselors shall ensure that such personnel are aware of the stigma associated with bankruptcy and shall recommend its use only as a last resort, when no other alternative will alleviate the situation.

(f) It is DoD policy to support the delivery of retail financial services on DoD installations via automated teller machines (ATMs) that have connectivity to national networks; e.g., the Armed Forces Financial Network.

(1) Each on-base financial institution is encouraged to offer ATM service with network connectivity. Proposals to install ATMs from on-base financial institutions shall be considered under provisions stated in DoD Instructions 1000.10 and 1000.12.

(2) Proposals to install ATMs from other than on-base financial institutions may be considered under the following circumstances:

(i) If the proposal offers ATM service with network connectivity, the installation commander shall determine whether the existing ATM(s) on the installation has network connectivity.

(ii) If the existing ATM(s) provides network connectivity, no further action is appropriate. If the existing ATM(s) does not provide network connectivity, the on-base financial institution shall be given up to 6 months to provide such connectivity.

(iii) If ATM service is unavailable or if existing on-base ATM service does not provide network connectivity within the 6-month period, the installation commander may seek ATM service with network connectivity from another financial institution. Lease of space for ATM installation would be under terms as stated in DoD Instructions 1000.10 and 1000.12.

(g) The termination of operations by an on-base financial institution shall be initiated by a DoD Component only under one of the following conditions:

(1) The mission of the installation has changed, or is scheduled to be

⁴See footnote 1 to §231.1.

changed, thereby eliminating or substantially reducing the requirement for financial services.

(2) Active military operations prevent continuation of on-base financial services.

(3) The performance of the financial institution in providing services is not satisfactory according to standards ordinarily associated with the financial services industry or is inconsistent with the procedures prescribed in DoD Instructions 1000.10 and 1000.12. Termination actions begun on the basis of inadequate performance shall be substantiated by sufficient evidence. Such actions shall be coordinated with the appropriate regulatory agency and the Comptroller of the Department of Defense before being carried out.

§231.5 Responsibilities.

(a) The *Comptroller of the Department of Defense* (C, DoD) shall:

(1) Develop and monitor policies and procedures governing establishment, operation, and termination of financial institutions on DoD installations.

(2) Monitor industry trends, conduct studies and surveys, and facilitate appropriate dialogues on banking and credit union arrangements and cost-benefit relationships, coordinating as necessary with DoD Components, financial institutions, and trade associations.

(3) Maintain liaison, as appropriate, with financial institution regulatory agencies at Federal and State levels.

(4) Maintain liaison with financial institution trade associations, leagues, and councils in order to interpret DoD policies toward respective memberships and to aid in resolving mutual concerns affecting provision of financial services.

(5) Coordinate with the Assistant Secretary of Defense (Force Management and Personnel) (ASD(FM&P)) on all aspects of morale and welfare and with the Assistant Secretary of Defense (Production and Logistics) (ASD(P&L)) on all aspects of logistic support for on-base financial institutions.

(6) Take final action on requests for exceptions to this part.

(b) The *Assistant Secretary of Defense (Production and Logistics)* (ASD(P&L)) shall develop and monitor policies and procedures governing logistic support furnished to financial institutions on DoD installations, including the use of DoD real property and equipment.

(c) The *Assistant Secretary of Defense (Force Management and Personnel)* (ASD(FM&P)) shall advise the C, DoD, on all aspects of on-base financial institution services that affect the morale and welfare of DoD personnel.

(d) The *Heads of DoD Components* shall:

(1) Take action on requests to establish or terminate financial institution operations on respective installations subject to DoD Instructions 1000.10 and 1000.12.

(2) Supervise and encourage the use of financial institutions on DoD installations as a means to:

(i) Facilitate convenient, effective management of the appropriated, non-appropriated, and private funds of on-base activities.

(ii) Assist DoD personnel in managing their personal finances by participating in direct deposit programs and regular savings plans. Use of on-base financial institutions shall be on a voluntary basis and should not be urged in preference to, or to the exclusion of, other financial institutions.

(3) Recognize the right of military personnel and civilian employees to organize and join credit unions formed under duly constituted authority, and encourage the application and expansion of the principles of the credit union movement throughout the DoD establishment.

(4) Encourage and assist duly chartered financial institutions to provide complete financial services on DoD installations where there is a demonstrated need for such services.

(5) Establish liaison, as appropriate, with Federal and State regulatory agencies and financial institution trade associations, leagues, and councils.

(6) Provide debt processing assistance to on-base financial institutions in accordance with the Privacy Act guidelines in appendix to this part.