

LCB File No. R002-00

PROPOSED REGULATION OF THE DIVISION OF FINANCIAL INSTITUTIONS OF THE DEPARTMENT OF BUSINESS AND INDUSTRY

Credit Unions

EXPLANATION--Matter in italics is new, matter in brackets ~~is~~ is material to be omitted.

Purpose: To delete and amend obsolete provisions.

Authority: NRS 678.250.

Address of Agency: The agency promulgating this regulation is the Commissioner of Financial Institutions (Commissioner), whose address is 406 East Second Street, Suite 3, Carson City, Nevada 89701-4758. The Commissioner is being advised and assisted by the Nevada Attorney General's Office in the drafting of these regulations. The contact person is Doug Walther, Senior Deputy Attorney General, Attorney General's Office, Capital Complex, Carson City, Nevada 89710, phone (775) 684-1213, fax (775) 684-1108.

Section 1. Amend NAC 678.030 to read as follows:

1. All fidelity bonds must provide coverage for the faithful performance of any officer or employee while carrying out any of the duties of the treasurer as prescribed in chapter 678 of NRS, the bylaws, or rules and regulations.
2. No form of fidelity bond coverage may be used by a credit union except a form which is approved by the ~~administrator~~ *Commissioner* of financial institutions.
3. For the purpose of this section, ~~[Credit Union Blanket Bond, Standard Form No. 23 of the Surety Association of America (revised to May 1950), plus Faithful Performance Rider, for use with this form to broaden Clause (A) (revised to May 1950) and Credit Union Blanket Bonds--NCUA Optional Forms 576, 577, 578, and 579--are approved.]~~ *the standard credit union bond forms as provided by carriers authorized to do business in this state are approved.*
4. The ~~administrator~~ *Commissioner* may require additional fidelity bond coverage for any credit union when, in his opinion, the bonds in force are insufficient to provide adequate coverage. The board of directors of the credit union shall obtain such additional coverage within 30 days after the date of written notice from the ~~administrator~~ *Commissioner*.
5. All surety companies writing credit union fidelity bonds must hold a Certificate of Authority from the Secretary of the Treasury under the Act of Congress approved July 30, 1947 (6 USC §§ 6-13) as an acceptable surety on federal bonds in this state.

6. The board of directors of each credit union shall provide proper protection to meet any circumstance described in subsection 1 of NRS 678.370 by obtaining adequate bond and insurance coverage.

Sec. 2. Amend NAC 678.040 to read as follows:

678.040 ~~[Entrance fees; membership fees.] Fees~~

- ~~[1. No credit union may require the payment of an entrance fee which exceeds \$1.~~
- ~~—2. No credit union may require the payment of an annual membership fee which exceeds \$1.]~~ *A credit union may charge for services it provides, provided it discloses such fees before making such charge.*

Sec. 3. Amend NAC 678.050 to read as follows:

- ~~[1. A credit union may not, without the express written approval of the administrator of financial institutions, maintain demand deposits against which requests for withdrawals may be made in the form of checks or drafts.~~
- ~~—2. A request for approval to maintain a program for demand deposits must include:~~
 - ~~—(a) The name of the financial institution which will act as the clearing center for the demand deposits.~~
 - ~~—(b) The physical location of the credit union's reserve to provide liquidity for the demand deposits.~~
 - ~~—(c) Any other information which the administrator reasonably believes necessary for determining whether the approval should be granted.~~
- ~~—3. Each credit union which maintains demand deposits against which requests for withdrawals may be made in the form of checks or drafts shall maintain the following special reserve unless the credit union is required by subsection 4 to maintain a greater reserve:~~
 - ~~—(a) The credit union shall maintain a demand deposit liquidity reserve fund equal to 125 percent of the average daily balance of demand deposits cleared by it during the preceding month.~~
 - ~~—(b) The average daily balance of demand deposits is determined by adding the total amount of demand deposits cleared by the credit union in the preceding month and dividing the total by the number of business days in that month.~~
 - ~~—(c) The demand deposit liquidity reserve fund must be adjusted to reflect the amount required by paragraphs (a) and (b) no later than the 10th day of each month.~~

~~—(d) The fund may be maintained in an interest bearing account if the money is available to the credit union immediately upon request.~~

~~—4.] 1. A credit union [which is subject to the regulation of the National Credit Union Administration concerning the reserve for liquidity as set forth in 12 C.F.R. § 742] shall hold liquid assets as prescribed in [that regulation in] an amount equaling *to* at least 5 percent of its members' accounts [and notes payable, excluding certain nonvolatile accounts, whenever the reserve prescribed in that regulation is greater than the reserve prescribed in subsection 3. The administrator hereby adopts by reference 12 C.F.R. § 742 as it exists on November 15, 1980. A copy of that regulation may be obtained at no charge from the:~~

~~—Division of Financial Institutions
—Department of Business and Industry
—406 E. Second Street
—Carson City, NV 89710]~~

~~[5.] 2. The [administrator] *Commissioner* may issue an order requiring a credit union to cease and desist from offering demand deposit accounts if it fails to maintain the reserve for liquidity [required by subsection 3 or 4.] *as required by subsection 1.*~~

~~[6.] 3. Every credit union which maintains a demand deposit program shall post a notice in the manner prescribed by subsection 1 of NRS 205.134 concerning issuance of a check or draft without funds or with intent to defraud.~~

Sec. 4. NAC 678.100 is hereby amended to read as follows:

The stocks and bonds which the ~~[administrator]~~ *Commissioner* of financial institutions approves as investments for credit unions pursuant to subsection 7 of NRS 678.760 are the stocks and bonds which are accorded one of the top two ratings by ~~[Moody's Investor Service, Inc., or one of its affiliates, or Standard and Poor's Corporation, or one of its affiliates.]~~ *a nationally recognized statistical rating organization as governed by the Securities and Exchange Commission.* Investment by a credit union in Securities which are provisionally rated is prohibited.

Sec. 5. NAC 678.110 is hereby amended to read as follows:

678.110 ~~[Quarterly financial]~~ *Financial* reports.

1. Each credit union shall file with the ~~[administrator]~~ *Commissioner* of financial institutions a ~~[quarterly]~~ financial report *which is substantially equivalent to that provided to the National Credit Union Administration or the Private Insurer* ~~[which includes:~~

~~—(a) A balance sheet;~~

~~—(b) A statement of income and expense for the year to date;~~

~~—(c) Statistics showing contractual delinquency, by number of loans and dollar amounts broken down according to the age of accounts, as follows:~~

~~—(1) Two months or more but less than 6 months;~~

~~—(2) Six months or more but less than 12 months; and~~

~~—(3) Twelve months or more.~~

~~—(d) A schedule of loans by dollar amount and interest rate;~~

~~—(e) A schedule of loans by dollar amount and collateral, with a classification of the loans as unsecured or secured, and if secured, by vehicles, real estate, shares or other property; and~~

~~—(f) A schedule of shares by dollar amount and dividend rate.~~

~~—2. Each quarterly financial report is due within 30 days after the closing of the quarterly reporting period.]~~ *for the periods ending June 30 and December 31 of each year.*

Sec. 6. NAC 678.130 is hereby amended to read as follows:

Any examination required by the provisions of chapter 678 of NRS must be conducted in accordance with the procedures ~~[embodied in Federal Credit Union Forms 701 (Rev. 11/71), 702 (Rev. 11/71), 703 (Rev. 7/69), 704 (Rev. 11/71), 705 (Rev. 7/69), 706 (Rev. 7/69), 707 (Rev. 11/71), 709 (Rev. 11/71), 710 (Rev. 7/69), 711 (Rev. 7/69), 712 (Rev. 7/69), 713, 714 (Rev. 11/71), 715, 715.1 (Rev. 5/75), 716, 717, 718, 719, 720 and 721]~~ as revised *from time to time* by the ~~[administrator]~~ *commissioner* of financial institutions.

Sec. 7. NAC 678.170 is hereby amended to read as follows:

A credit union chartered by another state may apply for provisional acceptance by the ~~[administrator]~~ *Commissioner* of financial institutions by submitting all the items listed in subsection 1 of NAC 678.180 and:

1. A copy of the last examination report of its present state supervisory authority; and
2. If it is uninsured, a copy of its application for insurance of its members' accounts. ~~[by the National Credit Union Share Insurance Fund.]~~

Sec. 8. NAC 678.080 is hereby repealed.

Sec. 9. NAC 678.090 is hereby repealed.

INFORMATION STATEMENT

The following statement is submitted for adopted permanent regulations to Nevada Administrative Code (NAC) Chapter 678.

1. Description of how comment from public and affected business was solicited.

Notice of workshop and hearing were mailed to all licensed credit unions, and were also posted at the main library in each county in Nevada.

2. A statement indicating the number of persons who attend each meeting, testified at each meeting and submitted written statements regarding the proposed regulation.

Four individuals attended the Carson City workshop and hearing. They were from either the Nevada Credit Union Advisory Board, or from the Nevada Credit Union League. Only one person attended the Las Vegas workshop and hearing. He also attended the Carson City workshop and hearing.

3. Summary of response from public and affected business.

Those present at the Carson City hearing participated in the redrafting of proposed regulation language during the workshop segment, and all agreed to the changes at the hearing segment.

4. Explanation of how interested persons may obtain a copy of summary.

Copies of this statement and transcripts of hearings of both the Carson City and Las Vegas workshops and hearings are available for review at both the Carson City and Las Vegas office of the Financial Institutions Division. A cost will be imposed for providing copies of any information requested.

5. If regulation was adopted without change, summary of reasons for adopting without change.

The following sections were changed from the original proposed language:

Sec. 3 (1); Sec. 4; Sec. 5(1); and Sec. 6.

6. Estimated economic effect on public and businesses affected, adverse and beneficial, immediate and long term.

There are not adverse effects, long term or immediate, for the implementation of the changes in this regulation. The immediate and long term benefits to the credit unions affected is to eliminate obsolete regulations and to update current terminology.

7. Cost of enforcing the regulation.

No additional cost will be involved in enforcing these regulation changes.

8. Explanation of any other regulations which this regulation duplicates or overlaps and why the duplication of overlapping is necessary. If the regulation overlaps or duplicates a federal regulation, a statement of the name of the federal agency.

There is not duplication or overlapping of state or federal regulations.

9. If the regulation includes provisions which are more stringent than a federal regulation which regulated the same activity, a summary of such provisions.

These regulations are not more stringent than federal regulations.

10. If the regulation establishes a new fee or increases an existing fee, a statement indicating the total amount the agency expects to collect and the manner in which the money will be used.

There are no new fees associated with these regulations.