

§ 708a.9

by which the membership vote was taken or the procedures applicable to the membership vote.

§ 708a.9 Completion of conversion.

(a) Upon receipt of approvals under § 708a.7 and § 708a.8 of this part, the credit union may complete the conversion transaction.

(b) Upon notification by the board of directors of the mutual savings bank or mutual savings association that the conversion transaction has been completed, the NCUA will cancel the insurance certificate of the credit union and, if applicable, the charter of the federal credit union.

[63 FR 65535, Nov. 27, 1998, as amended at 64 FR 28735, May 27, 1999]

§ 708a.10 Limit on compensation of officials.

No director or senior management official of an insured credit union may receive any economic benefit in connection with the conversion of the credit union other than compensation and other benefits paid to directors or senior management officials of the converted institution in the ordinary course of business.

§ 708a.11 Voting guidelines.

(a) A converting credit union must conduct its member vote on conversion in a fair and legal manner. These guidelines are not an exhaustive checklist that guarantees a fair and legal vote but are suggestions that provide a framework to help a credit union fulfill its regulatory obligations.

(b) While NCUA's conversion rule applies to all conversions of federally insured credit unions, federally-insured State chartered credit unions (FISCUs) are also subject to State law on conversions. NCUA's position is that a State legislature or State supervisory authority may impose conversion requirements more stringent or restrictive than NCUA's. States that permit this kind of conversion could have substantive and procedural requirements that vary from Federal law. For example, there could be different voting standards for approving a vote. While NCUA's rule requires a simple majority of those who vote to approve a conversion, some States have higher voting

12 CFR Ch. VII (1-1-06 Edition)

standards requiring two-thirds or more of those who vote. A FISCU should be careful to understand both Federal and State law to navigate the conversion process and conduct a proper vote.

(c)(1) Determining who is eligible to cast a ballot is fundamental to any vote. No conversion vote can be fair and legal if some members are improperly excluded. A converting credit union should be cautious to identify all eligible members and make certain they are included on its voting list. NCUA recommends that a converting credit union establish internal procedures to manage this task.

(2) A converting credit union should be careful to make certain its member list is accurate and complete. For example, when a credit union converts from paper record keeping to computer record keeping, some members' names may not transfer unless the credit union is careful in this regard. This same problem can arise when a credit union converts from one computer system to another where the software is not completely compatible.

(3) Problems with keeping track of who is eligible to vote can also arise when a credit union converts from a federal charter to a State charter or vice versa. NCUA is aware of an instance where a federal credit union used membership materials that allowed two or more individuals to open a joint account and also allowed each to become a member. The federal credit union later converted to a State chartered credit union that, like most other State chartered credit unions in its State, used membership materials that allowed two or more individuals to open a joint account but only allowed the first person listed on the account to become a member. The other individuals did not become members as a result of their joint account. To become members, those individuals were required to open another account where they were the first or only person listed on the account. Over time, some individuals who became members of the federal credit union as the second person listed on a joint account were treated like those individuals who were listed as the second person on a joint account opened directly with the