



NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20456

January 30, 1991

Joseph A. Ratti, President  
Reliance Federal Credit Union  
601 Allendale Road  
King of Prussia, PA 19406

Re: Sound Control Policies  
(Your December 10, 1990 Letter)

Dear Mr. Ratti:

You asked that the National Credit Union Administration prohibit a federal credit union (FCU) employee from also serving as a director of the same FCU. A standard amendment to the FCU bylaws is available for such purpose.

You note that FCU employees serving on the board of the FCU is a situation that may present conflicts of interest for the individuals involved. We have provided a standard amendment to Article VIII, Section 7 of the FCU bylaws which states that "no director or committee member ... may be a paid employee of this credit union." As you may know, the standard bylaws provide that the management official (e.g. manager or CEO) can not be a member of the board of directors. A standard amendment permits the management official to serve on the board of directors. (See Article VIII, Section 6 of the bylaws and standard amendment thereto.)

It has long been our position that generally the only eligibility requirements to run for FCU board membership are those contained in the FCU Act. That is, as long as an individual is a member (Section 111 of the FCU Act, 12 U.S.C. 1761) and has not been convicted of a crime involving dishonesty or breach of trust (Section 205(d) of the FCU Act, 12 U.S.C. 1785), he or she is eligible to be elected as a

FOIA  
Vol. VII

Joseph A. Ratti, President  
January 30, 1991

Page 2

board member. The FCU Act does not prohibit employees from running for the board of directors. The prohibitions described in the above paragraph do not prohibit an employee from running for the board of directors; however, if the employee is elected, he/she will have to choose whether to serve as an employee or a director.

I hope that this addresses you concerns.

Sincerely,



Hattie M. Ulan  
Associate General Counsel

GC/HMU:sg  
SSIC 3700  
90-1225