

## **Corporate Governance Update**

**June 2018**

### **STATE-CHARTERED CREDIT UNIONS NO LONGER NEED DBO APPROVAL TO AMEND BYLAWS**

Effective April 1, 2018, state-chartered credit unions no longer need DBO approval for most bylaw changes approved by their boards of directors. Commissioner Owen repealed 10 California Code of Regulations (CCR) Section 30.105, which had required state-chartered credit unions to submit their bylaws to the commissioner for approval. While state-chartered credit unions no longer need DBO approval of amendments to their bylaws, a credit union's board of directors remains responsible for maintaining bylaws in accordance with Financial Code Section 14103 and Corporations Code Sections 7150 and 7153 (discussed below).

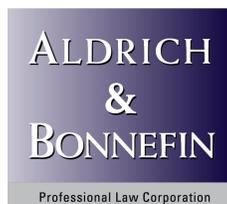
Financial Code Section 14103 states that bylaws must outline the way a credit union conducts its business. Under this section, bylaws must indicate the: (i) credit union's purpose; (ii) membership qualifications; (iii) details for annual member meetings; (iv) authorized number of directors; (v) audit and credit committees' powers and duties; and (vi) procedures for amending a credit union's bylaws.

Corporations Code Section 7150 provides that a credit union's board may adopt, amend or repeal bylaws unless the action would materially and adversely affect the credit union members' rights. Corporations Code Section 7151 requires bylaws to, among other things, specify the number of directors on the board and the details for calling and holding director meetings.

Note that while bylaws do not require DBO approval, state-chartered credit unions must continue to submit applications to expand a credit union's field of membership to the DBO for approval. Financial Code Section 14155 and 10 CCR Sections 30.60 and 30.61 govern the DBO's procedures for approving field of membership changes.

As an aside, recall that in March 2018 the NCUA announced it is in the process of reviewing its federal credit union bylaw standards to determine ways to streamline, clarify and improve the standards. 82 FR 12283. The comment period ended on May 21, 2018. As of publication of this Newsletter, the NCUA had yet to issue an implementing final rule.

For questions regarding state or federal credit union bylaw requirements, contact Mark Aldrich at [MAldrich@ABLAWYERS.COM](mailto:MAldrich@ABLAWYERS.COM).



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