

**PART 704—CORPORATE CREDIT  
UNIONS**

Sec.	
704.1	Scope.
704.2	Definitions.
704.3	Corporate credit union capital.
704.4	Board responsibilities.
704.5	Investments.
704.6	Credit risk management.
704.7	Lending.
704.8	Asset and liability management.
704.9	Liquidity management.
704.10	Investment action plan.
704.11	Corporate Credit Union Service Organizations (Corporate CUSOs).
704.12	Permissible services.
704.13	[Reserved]
704.14	Representation.
704.15	Audit requirements.
704.16	Contracts/written agreements.
704.17	State-chartered corporate credit unions.
704.18	Fidelity bond coverage.
704.19	Wholesale corporate credit unions.

APPENDIX A TO PART 704—MODEL FORMS  
APPENDIX B TO PART 704—EXPANDED AUTHORITIES AND REQUIREMENTS

AUTHORITY: 12 U.S.C. 1766(a), 1781, 1789.

SOURCE: 62 FR 12938, Mar. 19, 1997, unless otherwise noted.

**§ 704.1 Scope.**

(a) This part establishes special rules for all federally insured corporate credit unions. Non federally insured corporate credit unions must agree, by written contract, to both adhere to the requirements of this part and submit to examinations, as determined by NCUA, as a condition of receiving shares or deposits from federally insured credit unions. This part grants certain additional authorities to federal corporate credit unions. Except to the extent that they are inconsistent with this part, other provisions of NCUA's Rules and Regulations (12 CFR chapter VII) and the Federal Credit Union Act apply to federally chartered corporate credit unions and federally insured state-chartered corporate credit unions to the same extent that they apply to other federally chartered and federally insured state-chartered credit unions, respectively.

(b) The Board has the authority to issue orders which vary from this part. This authority is provided under Section 120(a) of the Federal Credit Union Act, 12 U.S.C. 1766(a). Requests by

state-chartered corporate credit unions for waivers to this part and for expansions of authority under Appendix B of this part must be approved by the state regulator before being submitted to NCUA.

**§ 704.2 Definitions.**

*Adjusted trading* means any method or transaction whereby a corporate credit union sells a security to a vendor at a price above its current market price and simultaneously purchases or commits to purchase from the vendor another security at a price above its current market price.

*Asset-backed security (ABS)* means a security that is primarily serviced by the cashflows of a discrete pool of receivables or other financial assets, either fixed or revolving, that by their terms convert into cash within a finite time period plus any rights or other assets designed to assure the servicing or timely distribution of proceeds to the securityholders. This definition excludes mortgage related securities.

*Capital* means the sum of a corporate credit union's retained earnings, paid-in capital, and membership capital.

*Capital ratio* means the corporate credit union's capital divided by its moving daily average net assets.

*Collateralized mortgage obligation (CMO)* means a multi-class mortgage related security.

*Core capital* means the corporate credit union's retained earnings and paid-in capital.

*Core capital ratio* means the corporate credit union's core capital divided by its moving daily average net assets.

*Corporate credit union* means an organization that:

- (1) Is chartered under Federal or state law as a credit union;
- (2) Receives shares from and provides loan services to credit unions;
- (3) Is operated primarily for the purpose of serving other credit unions;
- (4) Is designated by NCUA as a corporate credit union;
- (5) Limits natural person members to the minimum required by state or federal law to charter and operate the credit union; and