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[4410-10-M]

Title 8—Aliens and Nationality

CHAPTER I—IMMIGRATION AND NATURALIZATION SERVICE, DEPARTMENT OF JUSTICE

PART 238—CONTRACTS WITH TRANSPORTATION LINES

Addition of Air Canada to Listing

AGENCY: Immigration and Naturalization Service, Justice.

ACTION: Final rule.

SUMMARY: This is an amendment of the regulations of the Immigration and Naturalization Service to add a carrier to the list of transportation lines which have entered into agreements with the Commissioner of Immigration and Naturalization to guarantee the passage through the United States in immediate and continuous transit of aliens destined to foreign countries. This amendment is necessary because transportation lines which have signed such agreements are published in the Service's regulations.

EFFECTIVE DATE: January 10, 1979.

FOR FURTHER INFORMATION CONTACT:

James G. Hoofnagle, Jr., Instructions Officer, Immigration and Naturalization Service. Telephone: (202) 633-3048.

SUPPLEMENTARY INFORMATION: This amendment to 8 CFR 238.3 is published pursuant to section 552 of Title 5 of the United States Code (80 Stat. 383), as amended by Pub. L. 93-502 (88 Stat. 1561), and the authority contained in section 103 of the Immigration and Nationality Act (8 U.S.C. 1103), 28 CFR 0.105(b), and 8 CFR 2.1. Compliance with the provisions of section 553 of Title 5 of the United States Code as to notice of proposed rule making and delayed effective date is unnecessary in this instance because the amendment contained in this order adds a transportation line to the listing and is editorial in nature.

On January 10, 1979, the Commissioner of Immigration and Naturalization concluded an agreement with Air Canada to guarantee the passage through the United States in immediate and continuous transit of aliens destined to foreign countries pursuant to section 238(d) of the Immigration and Nationality Act and 8 CFR Part 238. Accordingly, 8 CFR 238.3(b) will be amended by adding "Air Canada" to the listing in alphabetical sequence.

In the light of the foregoing, the following amendment is hereby prescribed to Chapter I of Title 8 of the Code of Federal Regulations.

PART 238—CONTRACTS WITH TRANSPORTATION LINES

§ 238.3 [Amended]

In § 238.3 *Aliens in immediate and continuous transit,* the listing of transportation lines in paragraph (b) *Signatory lines* is amended by adding in alphabetical sequence, "Air Canada."

(Sec. 103 and 238(d), 8 U.S.C. 1103 and 1228(d)).

Effective date: The amendment contained in this order becomes effective on January 10, 1979.

Dated: March 2, 1979.

LEONEL J. CASTILLO,
Commissioner of Immigration and Naturalization.

[FR Doc. 79-6875 Filed 3-6-79; 8:45 am]

[6450-01-M]

Title 10—Energy

CHAPTER II—DEPARTMENT OF ENERGY

[ERA-R-79-9]

PART 212—MANDATORY PETROLEUM PRICE REGULATIONS

Adjustments to Lower and Upper Tier Crude Oil Price Ceilings To Reflect Impact of Inflation

AGENCY: Economic Regulatory Administration, Department of Energy.

ACTION: Final rule.

SUMMARY: The Economic Regulatory Administration (ERA), of the Department of Energy (DOE), by this action issues Crude Oil Price Schedule No. 14, effective March 1, 1979, for the months of March, April and May 1979. The Schedule provides monthly crude oil price increases to take into account the impact of inflation, as permitted under the Emergency Petroleum Allocation Act of 1973, as amended (EPAA, Pub. L. 93-159).

Beginning in March 1979, inflation adjustments will be applied to the projected February 1979 lower tier and upper tier prices (approximately $5.74 per barrel and $12.82 per barrel respectively), resulting in lower tier and upper tier prices for the months of March, April, and May 1979 of approximately $5.78, $5.82, and $5.86 per barrel (lower tier) and $12.90, $12.98, and $13.06 per barrel (upper tier), respectively.

EFFECTIVE DATE: March 1, 1979.

FOR FURTHER INFORMATION CONTACT:

William L. Webb (Office of Public Information), Economic Regulatory Administration, 2000 M Street, NW., Room B110, Washington, D.C. 20461, 202-634-2170.

Charles P. Little (Crude Oil Pricing Branch), Economic Regulatory Administration, 2000 M Street, NW., Room 6128, Washington, D.C. 20461, 202-254-6296.

Jeffrey C. Conrad (Office of General Counsel), Department of Energy, 12th and Pennsylvania Avenue, NW., Room 7132, Washington, D.C. 20461, 202-252-6754.

SUPPLEMENTARY INFORMATION:

A. INTRODUCTION

Under the EPAA, Congress provided flexibility to control first sale prices of domestic crude oil as long as the national weighted average first sale price ("actual composite price") did not exceed $7.66 per barrel ("statutory composite price") for all domestic crude oil produced and sold in February 1976. Beginning in March 1976, the EPAA authorized increases in the statutory composite price to reflect the effects of inflation and to provide production incentives. Under present authority, the statutory composite price is adjusted upward at a rate not to exceed 10 percent annually.

With the issuance of Crude Oil Price Schedule No. 9 (42 FR 62125, December 9, 1977), the ERA undertook to continue the policy, announced by the

President in the National Energy Plan (NEP) and implemented by the Federal Energy Administration (FEA) in Crude Oil Price Schedule No. 8 (42 FR 45284, September 9, 1977), to adjust both lower tier and upper tier ceiling prices to reflect only the rate of inflation as measured by the GNP deflator. Reference should be made to the Notice which accompanied Crude Oil Price Schedule No. 8 for a description of prior actions taken by FEA to achieve compliance with the composite price constraints of the EPAA and for a discussion of the domestic crude oil pricing policy set forth in the NEP.

B. CRUDE OIL PRICE SCHEDULE No. 14

This price schedule continues the policy as described in the Notice which accompanied Crude Oil Price Schedule No. 8. Accordingly, under Crude Oil Price Schedule No. 14, effective March 1, 1979, the February 1979 lower tier ceiling price (the May 15, 1973 posted price plus $2.05 per barrel, resulting in an average first sale price of approximately $5.74 per barrel), and the February 1979 upper tier price (the September 30, 1975 posted price plus $.15, resulting in an average first sale price of approximately $12.82 per barrel), are adjusted for inflation for March, April and May 1979, based on the first revision of the GNP deflator published on February 21, 1979, which reflects an annual rate of inflation of 8.1 percent.

1. LOWER TIER CEILING PRICES

Adjustments to ceiling prices for lower tier crude oil and the approximate average first sale prices pursuant to those ceiling prices in March, April and May 1979 are determined pursuant to the following methodology:

A. ERA has computed a monthly adjustment factor of .00651 which when applied over a twelve-month period yields an effective annual rate of adjustment of 8.1 percent.

B. March 1979 adjustment=($5.74) (.00651) per barrel=$.037 per barrel rounded to $.04 per barrel.

C. April 1979 adjustment=-($5.74+.04) (.00651) per barrel=$.037 per barrel rounded to $.04 per barrel.

D. May 1979 adjustment=($5.74+.04+.04) (.00651) per barrel=$.038 per barrel rounded to $.04 per barrel.

Based upon the monthly adjustments computed above, average lower tier ceiling prices for the months of March, April, and May 1979 are computed as follows:

March 1979=$5.74+$.04=$5.78
April 1979=$5.78+$.04=$5.82
May 1979=$5.82+$.04=$5.86

Using an average highest posted field price on May 15, 1973 of $3.69 per barrel and the monthly adjustments as computed above, lower tier prices for the next 3 months have been determined as follows:

Month	Ceiling price	Price [1]
March 1979	May 15, 1973 highest posted field price plus $2.09.	$5.78
April 1979	May 15, 1973 highest posted field price plus $2.13.	5.82
May 1979	May 15, 1973 highest posted field price plus $2.17.	5.86

[1] Estimated average first sale price.

2. UPPER TIER CEILING PRICES

Adjustments to ceiling prices for upper tier crude oil and the approximate average first sale prices pursuant to those ceiling prices in March, April and May 1979 are determined pursuant to the following methodology:

A. Adjustment factor (explained above)=.00651

B. March 1979 adjustment=(12.82) (.00651) per barrel=$.083 per barrel rounded to $.08 per barrel.

C. April 1979 adjustment=(12.82+.08) (.00651) per barrel=$.083 per barrel rounded to $.08 per barrel.

D. May 1979 adjustment=($12.82+.08+.08) (.00651) per barrel=$.084 per barrel rounded to $.08 per barrel.

Based upon monthly adjustments computed above, average upper tier ceiling prices for the months of March, April, and May 1979 are computed as follows:

March 1979=$12.82+$.08=$12.90.
April 1979=$12.90+$.08=$12.98.
May 1979=$12.98+$.08=$13.06.

Using an average highest posted field price on September 30, 1975 of $12.67 per barrel and the monthly adjustments as computed above, upper tier prices for the next 3 months have been determined as follows:

Month	Ceiling price	Price [1]
March 1979	Sept. 30, 1975 highest posted field price plus $0.23.	$12.90
April 1979	Sept. 30, 1975 highest posted field price plus $0.31.	12.98
May 1979	Sept. 30, 1975 highest posted field price plus $0.39.	13.06

[1] Estimated average first sale price.

Month	Estimated average lower tier ceiling price	Actual lower tier price	Estimated average upper tier ceiling price	Actual upper tier price [4]	Statutory composite price	Actual composite price [5]	Cumulative excess receipts (millions)
1976:							
February	$5.04	$5.05	$11.35	$11.48	$7.66	$7.87	$49
March	5.07	5.07	11.42	11.39	7.72	7.79	67
April	5.10	5.07	11.49	11.52	7.78	7.86	86
May	5.14	5.13	11.56	11.55	7.84	7.89	97
June	5.17	5.15	11.62	11.60	7.88	7.99	123
July	5.17	5.19	11.62	11.60	7.93	8.04	152
August	5.17	5.18	11.62	11.62	7.98	8.03	164
September	5.17	5.17	11.62	11.65	8.04	8.19	198
October	5.17	5.15	11.62	11.62	8.11	8.23	228
November	5.17	5.17	11.62	11.62	8.17	8.40	282
December	5.17	5.17	11.62	11.64	8.24	8.40	322
1977:							
January	$5.17	$5.17	$11.42	$11.44	$8.30	$8.28	$316
February	5.17	5.18	11.42	11.39	8.37	8.33	308
March	5.17	5.15	10.97	11.03	8.44	8.19	246
April	5.17	5.15	10.97	10.97	8.50	8.14	161
May	5.17	5.18	10.97	10.98	8.57	8.23	76
June	5.17	5.16	10.97	10.92	8.64	8.17	−36
July	5.17	5.16	10.97	11.00	8.71	8.21	−159
August	5.17	5.18	10.97	10.93	8.78	8.25	−295
September	5.20	5.20	11.23	11.21	8.85	8.26	−446
October	5.23	5.23	11.49	11.42	8.92	8.36	−595
November	5.26	5.24	11.75	11.63	8.99	8.35	−761
December	5.28	5.25	11.80	11.76	9.06	8.40	−937
1978:							
January	$5.30	$5.28	$11.85	$11.78	$9.13	$8.34	−$1,137
February	5.32	5.29	11.90	11.81	9.21	8.48	−1,306
March	5.35	5.34	11.96	11.88	9.28	8.41	−1,536
April	5.38	5.35	12.02	11.94	9.35	8.44	−1,772
May	5.41	5.38	12.08	11.98	9.43	8.43	−2,042

Month	Estimated average lower tier ceiling price	Actual lower tier price	Estimated average upper tier ceiling price	Actual upper tier price [4]	Statutory composite price	Actual composite price [1]	Cumulative excess receipts (millions)
1978:							
June	$5.44	$5.46	$12.15	$12.08	$9.50	$8.68	−2,255
July	5.47	5.46	12.22	12.15	9.58	8.60	−2,516
August	5.50	5.50	12.29	12.22	9.66	8.67	−2,779
September	5.55	5.55	12.39	12.35	9.73	8.78	−3,024
October	5.60	5.60	12.50	12.43	9.81	8.81	−3,291
November	5.65	[2]5.65	12.61	[2]12.53	9.89	[2]8.85	[2] −3,559
December	[2]5.68	[2]5.68	[2]12.68	[2]12.60	9.97	[2]8.95	[2] −3,835
1979:							
January	[2]$5.71		[2]$12.75		$10.05		
February	[2]5.74		[2]12.82		10.13		
March	[2]5.78		[2]12.90		10.21		
April	[2]5.82		[2]12.98		10.29		
May	[2]5.86		[2]13.06		10.37		

[1] Beginning with the month of September 1976, includes prices for stripper well crude oil production at values imputed in accordance with sec. 121 of the ECPA. Effects of Alaska North Slope (ANS) crude oil production, which commenced June 20, 1977, are included.
[2] Preliminary.
[3] Projected on the basis of Crude Oil Price Schedule Nos. 13 and 14.
[4] Does not include effects of ANS or Naval Petroleum Reserves crude oil production.

(Emergency Petroleum Allocation Act of 1973, Pub. L. 93-159, as amended, Pub. L. 93-511, Pub. L. 94-99, Pub. L. 94-133, Pub. L. 94-163, and Pub. L. 94-385; Federal Energy Administration Act of 1974, Pub. L. 93-275, as amended, Pub. L. 94-385; Energy Policy and Conservation Act, Pub. L. 94-163, as amended, Pub. L. 94-385; E.O. 11790, 39 FR 23185; Department of Energy Organization Act, Pub. L. 95-91; E.O. 12009, 42 FR 46267.)

In consideration of the foregoing, Part 212 of Chapter II of Title 10 of the Code of Federal Regulations is amended as set forth below, effective March 1, 1979.

Issued in Washington, D.C., February 27, 1979.

DAVID J. BARDIN,
Administrator, Economic Regulatory Administration.

Section 212.77 is amended in the Appendix to add Schedule No. 14 of Monthly Price Adjustments, as follows:

§ 212.77 **Adjustments to ceiling prices.**

* * * * *

APPENDIX

* * * * *

SCHEDULE NO. 14 OF MONTHLY PRICE ADJUSTMENTS EFFECTIVE MARCH 1, 1979

Month	Lower tier, May 15, 1973, posted price [1] (plus)	Upper tier, Sept. 30, 1975, posted price [2] (plus)
1976:		
February	1.35	−1.32
March	1.38	−1.25
April	1.41	−1.18
May	1.45	−1.11
June	1.48	−1.05
July	1.48	−1.05
August	1.48	−1.05
September	1.48	−1.05
October	1.48	−1.05
November	1.48	−1.05
December	1.48	−1.05
1977:		
January	1.48	−1.25
February	1.48	−1.25
March	1.48	−1.70
April	1.48	−1.70
May	1.48	−1.70
June	1.48	−1.70

SCHEDULE NO. 14 OF MONTHLY PRICE ADJUSTMENTS EFFECTIVE MARCH 1, 1979 —Continued

Month	Lower tier, May 15, 1973, posted price [1] (plus)	Upper tier, Sept. 30, 1975, posted price [2] (plus)
1977:		
July	1.48	−1.70
August	1.48	−1.70
September	1.51	−1.44
October	1.54	−1.1.18
November	1.57	−.92
December	1.59	−.87
1978:		
January	1.61	−.82
February	1.63	−.77
March	1.66	−.71
April	1.69	−.65
May	1.72	−.59
June	1.75	−.52
July	1.78	−.45
August	1.81	−.38
September	1.86	−.28
October	1.91	−.17
November	1.96	−.06
December	1.99	.01
1979:		
January	2.02	.08
February	2.05	.15
March	2.09	.23
April	2.13	.31
May	2.17	.39

[1] The price referred to in 10 CFR 212.73(b)(1) or in 212.73(c)(1), 212.73(c)(3), and 212.73(c)(4).
[2] The price referred to in 10 CFR 212.74(b)(1).

This schedule of monthly price adjustments was issued by the Economic Regulatory Administration on February 1979 pursuant to 10 CFR 212.77. It restates without change the lower and upper tier price ceilings applicable to crude oil produced and sold in the months of February 1976 through February 1979, as determined under 10 CFR 212.73, 212.74, and 212.77. Both lower tier and upper tier ceiling prices, which were increased under Schedule No. 13 effective December 1, 1978, are further increased as indicated in this schedule, effective March 1, 1979.

This schedule is effective only through May 31, 1979.

[FR Doc. 79-6601 Filed 3-1-79; 11:11 am]

[7535-01-M]

Title 12—Banks and Banking

CHAPTER VII—NATIONAL CREDIT UNION ADMINISTRATION

PART 701—ORGANIZATION AND OPERATIONS OF FEDERAL CREDIT UNIONS

Final Rule—Credit Union Service Corporation

AGENCY: National Credit Union Administration.

ACTION: Final rule.

SUMMARY: The purpose of this rule is to implement the provisions of the April 19, 1977, amendments to the Federal Credit Union Act (Act) (Pub. L. 95-22, 91 Stat. 49) which authorizes Federal credit unions to invest in, to make loans to, or extend lines of credit to, organizations providing services associated with the routine operations of credit unions. This rule will amend existing 12 CFR 701.27-2, Participation in Accounting Service Center.

DATE: Effective April 9, 1979.

ADDRESS: National Credit Union Administration, 2025 M Street NW., Washington, D.C. 20456.

FOR FURTHER INFORMATION CONTACT:

Either Layne L. Bumgardner, Office of Examination and Insurance, or Todd A. Okun, Office of General Counsel, at the above address. Telephone: (202) 254-8760 (Mr. Bumgardner) or (202) 632-4870 (Mr. Okun).

SUPPLEMENTARY INFORMATION: On November 3, 1978, the Administration published a proposed rule (43 FR 51407) to implement the provisions of the April 19, 1977, amendments to the Act (Pub. L. 95-22, 91 Stat. 49) which authorize Federal credit unions to invest in, to make loans to, or to extend lines of credit to, organizations providing services associated with the routine operation of credit unions. The proposed rule was to amend existing 12 CFR 701.27-2, Participation in Accounting Service Center. Public comment was invited, to be received on or before January 2, 1979. Upon review

of these comments and after a thorough reconsideration of the proposed rule by the Administration, various changes, as set forth below, have been made.

ANALYSIS OF CHANGES AND COMMENTS

1. DEFINITION OF "CREDIT UNION SERVICE CORPORATION"

Several commenters questioned the definitional section of the proposed rule that defined "credit union service corporation" to be both the entity described at Section 107(7)(I) and Section 107(5)(D) of the Federal Credit Union Act. The thrust of the comments was that this definition is unduly restrictive and is not legally mandated. However, in light of the mandate in the legislative history by Congressman St Germain that "leeway" authority is to be "exercised on a carefully controlled basis by NCUA," the Administration feels justified in tying the two definitions together. In addition, the Administration finds no substantive difference in an organization "which is established primarily to serve the needs of its member credit unions, and whose business relates to the daily operations of the credit unions they serve" and an organization "providing services which are associated with the routine operations of credit unions." The legislative history also indicates that the House committee stands ready to review "leeway" interpretation matters upon request from NCUA "[S]hould a case be made for a more liberal interpretation of the provisions."

It might also be noted that the Federal Credit Union Act specifically intertwines the lending and investment powers. For instance, section 107(7)(A) allows a Federal credit union to "invest" its funds in "loans exclusively to members." The Administration believes then, based upon the foregoing paragraphs, that its interpretation of sections 107(5)(D) and 107(7)(I) is justified. While it may restrict the permissible activities for Federal credit unions in this field, legislative history mandates a rather conservative approach. Hence the one percent limit on investment and lending authorities have been retained in the final regulation.

2. CORPORATE FORM OF ORGANIZATION

Several commenters objected to the restriction of the proposed credit union service corporation to the corporate form of ownership. The Administration did not include other forms of ownership in this regulation because of a planned revision to the provisions of § 701.28 (Joint Operations and Activities). This revision will properly recognize various types of service contracts, joint agreements, and other partnership types of arrangement that Federal credit unions may establish. These other forms of joint ownership arrangements normally have not resulted in the creation of a separate entity, as is the case with a credit union service corporation, that is established through the issuance of stock. Therefore, joint operations will be allowed to continue in noncorporate form. However, from a regulatory point of view, particularly concerning the issuance of stock, the Administration feels justified in limiting credit union service corporations to the corporate form. It should be noted that all commenters on this subject agreed that the corporate form would be the most convenient and efficient form but objected, in principle, to designating the corporate form as the only allowable one. However, because this Administration and participating Federal credit unions will be dealing for the first time with credit union service corporations, the Administration feels justified in limiting the structure of these entities to the corporate form, at least throughout the infancy of the full implementation of the rule. As all parties become more familiar with these entities, both from an operational and regulatory point of view, the Administration will consider other forms of organizational structure.

3. BYLAWS AND ARTICLES OF INCORPORATION

Another subject of comment concerned the requirement that the articles of incorporation and bylaws of a credit union service corporation state specifically that it will comply with the Federal Credit Union Act and the National Credit Union Administration Rules and Regulations. It is suggested that since these organizations will be creatures of the various states, this requirement may cause conflict with state law. Because all participating Federal credit unions are, in any event, subject to these requirements, it is not necessary to explicitly so state in the regulation itself and that provision, previously appearing in Section (c)(1), is deleted.

4. RECEIPT OF SERVICES BY STOCKHOLDER CREDIT UNIONS

Several commenters felt that requiring stockholder credit unions to receive services from credit union service corporations was unduly restrictive. However, the Administration believes that this requirement is not burdensome and will ensure that investment in credit union service corporations is for the purpose of obtaining services and not for purposes of speculation. It is noted, however, that circumstances may dictate that making use of such services cannot be continuous for a stockholder Federal credit union. Therefore, a requirement has been added to the regulation at Section (c)(1)(i) that a stockholder Federal credit union must use the services of the credit union service corporation within 6 months of its purchase of stock and, after that time, it may not fail to use services of the credit union service corporation in a manner which is normal for the service provided.

5. ALLOCATION OF SERVICE CHARGES

Related to the issue of selling services to parties other than the owners of a credit union service corporation is the issue raised by several commenters concerning the servicing of all stockholders on a fair and equitable basis. Commenters addressing this issue indicated this language was too broad and would need interpretation concerning the allocation of service charges. Specific questions were raised concerning giving discounts for high volume users of a data processing service center and requiring minimum charges for low volume users. In view of these comments, the Administration has again incorporated at paragraph (c)(1)(ii) language similar to the existing § 701.27-2 to require that service charges be allocated to each user on a basis that recognizes the amount of cost needed to provide the services used. In any event, it is the Administration's intention that a credit union service corporation should not operate at a loss. Therefore, revenue from the sale of services to its stockholders and the limited sale of services to other parties should cover the operating costs of the service corporation.

6. SALE OF SERVICES TO NONSTOCKHOLDERS

Several commenters objected to the requirement that a credit union service corporation only sell its services to its stockholder credit unions. These commenters noted the present provisions of § 701.27-2 which permit sales to non-owner credit unions.

In the preamble to the proposed regulation, the Administration noted that credit union service corporations should be ventures in cooperation and not be profit-making ventures. However, several commenters indicated that the sale of services to parties other than stockholder credit unions was necessary to assist in implementing "high technology projects" with high initial investment requirements. The Administration finds that the restriction prohibiting the sale of services to parties other than stockholders may create unnecessary hardship in operating efficiently while taking full advantages of economies of scale. Therefore, the Administration has modified the proposed regulation and has included in paragraph (c)(1)(iii) a provision sim-

ilar to that provided in the present § 701.27-2 that will allow the sale of services to nonstockholders to a limited extent. The provision has been modified to provide clearer meaning and will no longer require approval by the Administrator on an individual basis to implement the authority.

7. EXAMINATION FEE

Several commenters questioned the requirement that the credit union service corporation be assessed an examination fee. The Administration believes that in view of the limited number of credit union service corporations, an additional fee need not be assessed. Therefore, the examination fee requirement has been removed from the final regulation.

8. PECUNIARY INTEREST AND SALARIES OF OFFICIALS AND EMPLOYEES

Several commenters have questioned the provision in the proposed regulation that prohibits officers, directors, and employees from having a pecuniary interest in the credit union service corporation and from receiving a salary in excess of reimbursement for necessary expenses incurred in operating the credit union service corporation. It was felt that these prohibitions were unduly restrictive and would inhibit competent employees from accepting employment with the credit union service corporation.

The Administration continues to believe that a prohibition on such equity ownership interests for officials and employees is proper and will serve to preclude any conflicts of interests. To make this point even clearer, the proposed regulation has been changed to state explicitly that this type of equity ownership interest is precluded not only where ownership would be direct but where an indirect method of ownership might be attempted to circumvent the regulation.

However, the Administration agrees that it should be permissible for employees of a Federal credit union stockholder to earn a salary or compensation for employment in the credit union service corporation if the corporation should conclude that such duties merit greater compensation than the salary the employee is earning from the constituent Federal credit union. However, none of the officials of the Federal credit union may receive a salary. This is in keeping with the same prohibition relating to officials' employment with constituent Federal credit unions. Appropriate changes have been made in the regulation at Section c(2).

9. TERMINATION OF DESIGNATION "CREDIT UNION SERVICE CORPORATION"

Several commenters asked for further explanation of the provision allowing the Administrator to terminate the designation "credit union service corporation" under certain circumstances. The practical effect of Section (d) is that once the designation is withdrawn, investment in or loans to the corporation shall become impermissible for Federal credit unions. These stockholder Federal credit unions will then be required to divest their stock in a manner and within a time frame appropriate to the individual circumstances of a given situation, as determined by the Administrator. A Federal credit union may not renew or extend any loans or balances outstanding under a line of credit to a credit union service corporation after it receives a notice requiring divestiture of its stock in the corporation. Therefore, Section (d) has been amended accordingly.

10. ADDITIONAL CHANGES AND COMMENTS

a. Several technical changes have been made in the designation of sections and in the references to them in the body of the regulation to make the regulation more readable. In addition, Section (f) has been amended by adding section (f)(5) to make it clear that all time periods described in section (f) are exclusive of Saturdays, Sundays and Federal holidays.

b. The Administration notes that all loans to credit union service corporations may have maturities of no greater than twelve years pursuant to section 107(5) of the Federal Credit Union Act (12 U.S.C. 1757(5)). While setting no requirements on the payment of interest on such loans, the Administration recommends that such interest payments be made at least annually.

c. Numerous commenters questioned the nine recommended service contract provisions enumerated in the preamble to the proposed regulations. Without discussing the substance of each of the recommendations, the Administration believes, in general that contracts containing the nine enumerated provisions would represent, ideally, the safest and most complete contract. These provisions, however, are only recommendations and do not themselves appear in the regulation in order to allow credit union service corporations the flexibility to adapt their contracts to the particular circumstances of their dealings. They are recommendations and not requirements.

d. One commenter raised a question concerning a credit union service corporation's ability to purchase and sell such items as computer hardware, software, land, buildings, etc. The Administration has not imposed limits upon such purchase and sales because participating Federal credit unions are required to abide by NCUA Rules and Regulations, the Federal Credit Union Act and all current policies concerning such sales. Hence violation of these rules, interpretations, or of the Act would result in the invoking of Section (d) of the regulation, that is, the revoking of the designation of "credit union service corporation."

e. Several commenters raised questions concerning the recording of investments in and/or loans to a credit union service corporation. The following entries clarify the Administration's policy on the proper accounting entries which will be incorporated in the Accounting Manual for Federal Credit Unions at its next revision:

(1) Dr. Investment in Credit Union Service Corporation (748).	XXXX	
Cr. Cash (731)		XXXX

To record the initial investment in credit union service corporation stock.

(2) Dr. Gain (Loss) on Investments (420)	XXXX	
Cr. Allowance for Losses on Investments (749).		XXXX

To record the reduction in the value of a Federal credit union's investment in the stock of a credit union service corporation. As an option to this entry, a Federal credit union which continues to receive services from a credit union service corporation may disclose such a reduction in value by a footnote to its financial statements.

(3) Dr. Loans to Credit Union Service Corporation (744).	XXXX	
Cr. Cash (731)		XXXX

To record the lending of funds by a Federal credit union to a credit union service corporation, under the provisions of § 701.27-2(e).

(4) Dr. Gain (Loss) on Investment (420)	XXXX	
Cr. Allowance for Losses on Investments (749).		XXXX

To record the expected amount of loss on a loan or balance outstanding under a line of credit to a credit union service corporation upon default of scheduled interest and/or principal payments.

(5) Dr. Other Prepaid and Deferred Expenses (769).	XXXX	
Cr. Cash (731)		XXXX

To record the advance of up to 3 months estimated payments for services from a credit union service corporation.

NOTE.—Advance payments to a credit union service corporation which exceed the amount of 3 months' payments for services must meet the requirements for a loan to a credit union service corporation in Section (e). See entry number (3) for proper account classification for loans to a credit union service corporation.

(6) Dr. (appropriate operating expense account).	XXXX	
Cr. Other Prepaid and Deferred Expenses (769).		XXXX

To amortize advance payments to a credit union service corporation. Amortization should occur at regular intervals during the period for which a

Federal credit union contracts for services from a credit union service corporation.

LAWRENCE CONNELL,
Administrator.

MARCH 1, 1979.

(Sec. 107(7)(I), 91 Stat. 49, (12 U.S.C. 1757(7)(I)); Sec. 120, 73 Stat. 635 (12 U.S.C. 1766) and Sec. 209, 84 Stat. 1104 (12 U.S.C. 1789).)

Accordingly, 12 CFR 701.27-2 is amended to read as follows:

§ 701.27-2 Credit Union Service Corporation.

(a) For purposes of this section:

(1) A "credit union service corporation," an organization described at Section 107(7)(I) of the Federal Credit Union Act, and a "credit union organazation," as described at Section 107(5)(D) of the Federal Credit Union Act, are identical entities. They are organizations incorporated under State law which are wholly-owned and controlled by credit unions. Designation as a "credit union service corporation" is contingent on Administration approval.

(2) A "Federal credit union" means a credit union chartered pursuant to Section 109 of the Federal Credit Union Act, its officers, directors, employees, agents or representatives.

(b) The purpose of a credit union service corporation is to provide only those goods and services and perform only those functions that are associated with routine credit union operations. It may provide any or all of the following to its stockholder credit unions:

(1) Data processing services;

(2) Promotion, marketing and general management support services;

(3) Access to sophisticated accounting systems;

(4) Non-profit debt counseling services;

(5) Management training and education to credit union personnel;

(6) Services related to processing, selling or servicing mortage loans;

(7) Credit card services;

(8) Automated teller machine services; and

(9) Other services, as determined by the Administrator, that are commonly associated with the routine operations of credit unions.

(c) A Federal credit union, group of Federal credit unions, or a group of Federal and State credit unions may agree to form a credit union service corporation and submit an application to the Administrator for approval to form such a corporation. The application shall include:

(1) The articles of incorporation and bylaws of the proposed credit union service corporation which explicitly state that the credit union service corporation shall:

(i) Provide services to each of its credit union stockholders and provide that each Federal credit union stockholder must purchase services within 6 months of its purchase of stock, and thereafter, in a manner which is normal for the service provided;

(ii) Charge service fees to each party using services which are sufficient to cover the cost of services used by each;

(iii) Have authority to provide services to nonstockholders, provided the total fees for services paid by nonstockholders during the current fiscal year shall not exceed 20% of the previous fiscal year's cost of operation:

(iv) Provide the following statement prior to any party lending funds to or investing funds in the corporation:

"THE DESIGNATION OF AS A 'CREDIT UNION SERVICE CORPORATION', BY THE NATIONAL CREDIT UNION ADMINISTRATION DOES NOT INDICATE APPROVAL OF THE FINANCIAL CONDITION OF THE CORPORATION OR THE MERITS OF ANY LOAN TO OR INVESTMENT IN THE CORPORATION";

(v) Be subject to examination by the Administrator or his authorized representative; and

(vi) Submit call reports upon request by the Administrator.

(2) Written acknowledgement that any official and/or employee of a Federal credit union with an equity interest in a credit union service corporation shall have no direct or indirect pecuniary interest in the corporation and no official of a Federal credit union shall receive any salary or compensation other than reimbursement for necessary expenses incurred in operating the credit union service corporation; and

(3) Any other information requested by the Administrator.

(d) The Administrator may terminate the designation of any corporation as a credit union service corporation if it operates in an unsafe and unsound manner, violates the conditions of its approval as a credit union service corporation, or violates any applicable provision of the Federal Credit Union Act or National Credit Union Administration Rules and Regulations. When such designation is terminated, any constituent Federal credit union shall be required to divest its stock in the credit union service corporation in a manner and within a time frame appropriate to individual circumstances as determined by the Administrator. A Federal credit union shall not renew or extend any loans or balances outstanding under a line of credit to a credit union service corporation after receiving notice requiring divestiture of its stock in the corporation.

(e) A Federal credit union may invest, in total, up to 1 per centum of its paid-in and unimpaired capital and surplus in stock of credit union service corporations. A Federal credit union may lend, in total, an additional 1 percent of its paid-in and unimpaired capital and surplus only to credit union service corporations in which it has invested. Such investment authority does not include authority to invest in shares, stocks or obligations of an insurance company, trade association, liquidity facility, financial institution or any other similar organization, corporation, association, or to lend funds to these entities, except as otherwise expressly provided in the Federal Credit Union Act.

(f) The following procedures apply to any application made under the provisions of this section:

(1) Application for approval as a credit union service corporation shall be submitted to the appropriate Regional Office and shall contain the information described in parargraph (c) of this section;

(2) Application for approval to form a credit union service corporation that will engage in any of the activities described in paragraph (b)(1)-(8) of this section shall be acted upon by the Administration within a 45 day period that begins on the date of receipt by the Regional Office of the complete written record on the application. In the event of the failure of the Administration to act on such an application within 45 days, the application shall be deemed to be approved. Action on any application shall be deemed to have been taken when written notice is received by the applicant;

(3) Application for approval to form a credit union service corporation that will not perform any of the activities described in paragraph (b)(1)-(8) of this section shall be acted upon in the same manner as an application described in paragraph (f)(2) of this section *except*, that such action must be taken within 90 days of receipt of a complete record on the application;

(4) Any addition to the functions performed or the goods and services provided by an approved credit union service corporation must be approved prior to implementation. Any addition involving engaging *de novo* in activities described in paragraph (b)(1)-(8) of this section shall be acted upon within 45 days, pursuant to paragraph (f)(2) of this section. Any addition involving engaging *de novo* in any activities not described in paragraph (b)(1)-(8) of this section shall be acted upon within 90 days, pursuant to paragraph (f)(3) of this section; and

(5) All time periods in Section (f) shall be exclusive of Saturdays, Sundays, and Federal holidays.

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