

04 NCAC 06C .0311 is amended with changes as published in 30:09 NCR 980 as follows:

04 NCAC 06C .0311 FIDELITY AND SURETY BOND BONDS AND INSURANCE COVERAGE

(a) ~~It shall be the duty of the~~ The Board of Directors ~~of a Credit Union to shall~~ purchase a blanket fidelity bond ~~as required by G.S. 54-109.44(2).~~ including such other bond coverage as required by the statutes or as may be required by the Administrator as set forth in G.S. 54-109.44(2). Fidelity bonds shall provide coverage for the fraud and dishonesty of all employees, directors, officials, and supervisory and credit committee members.

(b) Every ~~State chartered credit union~~ Credit Union shall maintain the minimum bond and insurance coverage as required by ~~statute~~ G.S. 54-109.11(5).

(c) No form of surety bond shall be used except as is approved by the Administrator ~~as set forth in G.S. 54-109.11(5).~~ The approved bond forms ~~are~~ shall be Credit Union Blanket Bond 500 Bond Series, plus faithful performance rider, Credit Union Blanket Bond, Standard Form No. 23 of the Surety Association of America, or an equivalent approved Bond Form including a faithful performance rider on a current listing on the Credit Union Division website [website,] (www.nccud.org). ~~NCUA Optional Form 581 or its equivalent.~~ These bond forms shall be considered the minimum coverages required for the purpose of this section. The approved bond forms in this Paragraph provide faithful performance coverage for all employees and officials. ~~Fidelity bonds must [shall] provide coverage for the fraud and dishonesty of all employees, directors, officials, and supervisory and credit committee members.~~ Other forms, or changes in the amount of bond coverage, ~~must~~ shall be approved by the Administrator based upon the applicable rules and laws.

~~(e)~~ (d) Maximum deductible limits may be applied to the required coverage contained in 500 Bond Series, and Standard Form No. 23, as specified in this Paragraph:

Assets	Maximum Deductible
0 to \$100,000	0
\$100,001 to \$250,000	\$500
\$250,001 to \$500,000	750
\$500,001 to \$750,000	1,000
\$750,001 to \$1,000,000	1,500
\$1,000,001 to \$2,000,000	2,000
\$2,000,001 to \$3,000,000	3,000
\$3,000,001 to \$5,000,000	4,000
\$5,000,001 to \$50,000,000	5,000
\$50,000,001 to \$100,000,000	7,500
Over \$100,000,001	10,000
\$0 to 100,000	0
\$100,001 to \$250,000	\$1,000
\$250,000 to \$1,000,000	2,000

Over \$1,000,000 2,000 plus 1/1000 of total assets up to a maximum of
\$200,000

Deductibles in excess of those ~~shown~~ provided in this Paragraph ~~must~~ shall be approved by the Administrator
based upon the applicable rules and laws. ~~In no event shall any deductible be applied to the fidelity coverage or the~~
~~faithful performance provision of the bond unless approved by the Administrator.~~

(d) In considering a request to deviate from the bond coverage and deductible amounts set forth in this Rule, the
Administrator shall consider the following factors about the credit unions:

- (1) Financial strength;
- (2) Net worth;
- (3) Return on assets;
- (4) Quality of assets; and
- (5) Capital, Assets, Management, Earnings, and Liquidity (CAMEL) rating, used by the Division and NCUA
to evaluate the soundness of credit unions on a uniform basis.

History Note: Authority G.S. 54-109.11 (5); 54-109.12; 54-109.44 (2);

Eff. April 1, 1981;

Amended Eff. July 1, 2013; February 1, 1992; April 1, 1985.

Amended Eff. March 1, 2016

04 NCAC 06C .0410 is adopted with changes as published in 30:09 NCR 981 as follows:

04 CAC 06C .0410 Prohibited Fees

(a) A North Carolina ~~credit union~~ Credit Union shall not make any loan or extend any line of credit if, either directly or indirectly, any commission, fee, or other compensation is to be received by the Credit Union's directors, committee members, senior management employees, loan officers, or any immediate family members of such individuals, in connection with underwriting, insuring, servicing, or collecting the loan or line of credit. ~~However, salary (except commissions) for employees is not a commission, fee, or other compensation for the purposes of this Rule.~~ For the purposes of this Rule, the following definitions shall apply: "senior management employees" means the following:

(1) "senior management employees shall mean the Credit Union's Chief Executive Office or President, chief executive officer, typically this individual holds the title of President, the Treasurer or Manager, the Vice President, the Assistant Vice President, the Assistant Treasurer or Manager, the Chief Financial Officer, and the Comptroller; and

(2) "immediate family member" shall include a spouse or other family member living in the same household.

~~(2) Treasurer/Manager,~~

~~(3) Vice President,~~

~~(4) Assistant Vice President or Assistant Treasurer/Manager,~~

~~(5) Chief Financial Officer, Comptroller, and,~~

~~(6) "Immediate family member" means a spouse or other family member living in the same household.~~

(b) For purposes of this Rule, "compensation" shall include non-monetary items, except those of nominal value.

(c) For purposes of this Rule, the following shall not be considered a "commission, fee, or other compensation":

(1) the annual salary of an employee;

(2) the payment of an incentive or bonus based on the Credit Union's overall financial performance; and

(3) the payment of an incentive or bonus to an employee other than a senior management employee, made in connection with a loan or loans made by the Credit Union. The Board of Directors of the Credit Union shall establish written policies and internal controls in connection with the payment of incentives or bonuses and shall monitor compliance with the policies and controls at least annually.

~~(b) Incentives.~~

~~(A) (1) For the purposes of this section of the Rule: Compensation includes non-monetary items, except those of nominal value.~~

~~(B) (2) This section of the Rule does not prohibit:~~

~~(1) (A) Payment of an incentive or bonus to an employee based on the credit union's overall financial performance;~~

1 ~~(2) (B) Payment of an incentive or bonus to an employee other than a senior management~~
2 ~~employee in connection with a loan or loans made by the credit union, provided that the board~~
3 ~~of directors of the credit union establishes written policies and internal controls in connection~~
4 ~~with such incentive or bonus and monitors compliance with such policies and controls at least~~
5 ~~annually.~~

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7 *History Note:* *Authority G. S. 54-109.12; 54-109.21(25); 54-109.22*
8 *Eff. March 1, 2016*
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04 NCAC 06C .1001 is amended with changes as published in 30:09 NCR 981 as follows:

SECTION .1000 - RETENTION OF RECORDS

NCAC 06C .1001 PERMANENT RECORD

(A) (a) Each Credit Union [credit union] shall retain its records in a manner consistent with reasonable business practices [and in accordance with this section] and applicable state and federal laws, rules, and regulations.

(b) The Credit Union [credit union] shall permanently ~~maintain~~ retain the original records of the Credit Union's charter, bylaws, and any amendments to those documents.

(B) (c) The following original records shall be retained permanently in their original form or in any electronic or digital form ~~which that~~ permits their retrieval and replication:

- (1) the minutes of meetings of members and of the board of directors;
- (2) audit reports;
- (3) copies of the examination reports of the Credit Union Division;
- (4) ~~charter, bylaws, and amendments;~~
- (4.5) rulings and opinions from the Credit Union Division;
- (5) signature cards;
- (6) journal and cash record;
- (7) general ledger;
- (8) loan and shares subsidiary ledgers;
- (9) bank reconciliations; and
- (10) a list of all records destroyed.

(d) Credit Unions shall reference 12 C.F.R. Part 749 Appendix A for retention schedule guide lines.

*History Note: Authority G.S. 54-109.12; 54-109.17;
Eff. February 1, 1976;
Readopted Eff. April 4, 1978.
Amendment Eff. March 1, 2016*

04 NCAC 06C .1002 is amended with changes as published in 30:09 NCR 981 as follows:

04 NCAC 06C .1002 NONPERMANENT RECORDS

(a) Each Credit Union shall retain ~~its~~ **nonpermanent** records **as defined in Paragraph (b) of this Rule**, in a manner consistent with reasonable business practices and in accordance with this section and applicable state and federal laws, rules, and regulations.

(b) **Nonpermanent records shall include any Credit Union records not referenced in 04 NCAC 06C .1002.**

(c) ~~The following credit union records~~ **Nonpermanent records** will ~~shall~~ be kept in ~~either~~ the original, ~~or on microfilm or microfiche~~, or any electronic or digital ~~[form, which]~~ **form that** permits their retrieval and replication. **The Board of Directors of the Credit Union shall determine the length of time that each nonpermanent record is to be retained based upon reasonable business practices and the applicable state and federal laws, rules, and regulations. for the period indicated:**

Ledgers: general	15 years
Journal: Cash (Journal of Original Entry)	15 years
Subsidiary Ledgers (Shares, Loans & Deposits)	10 years
Registers: (Check, Money Order, & Collateral)	10 years
Record of Receipts: (Deposit Tickets, Collection Sheets, Payroll Deduction Records)	
10 years	
Withdrawal Slips: (Cash Payments, Check Payments)	10 years
Cancelled Checks, Money Orders, Vouchers	10 years
Check Stubs	Optional
Bank Statements	
10 years	
Bank Deposit Slips	10 years
Expense Vouchers	5 years
Invoices for Sale or Purchase of Securities	10 years
Reports: Statistical Reports to Credit Union Division	10 years
Minutes of the Credit Committee Meetings	10 years
Loan Applications	2 years after loan is paid
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Charged Off Loans:	
Note and Application	10 years
Ledger Sheet	10 years
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Bond Claims	10 years

1	Tax Records	10 years
2	Court Orders (after case closed)	10 years
3	Personnel Records	10 years
4	Registered Mail Records	10 years
5	Delinquent Loan Schedules	4 years
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7	EDP Records:	
8	Members' Quarterly Statements	10 years
9	Transaction Records	4 years
10	Month EDP Trial Balance	2 years
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12 *History Note: Authority G.S. 54-109.12; 54-109.17;*
13 *Eff. February 1, 1976;*
14 *Readopted Eff. April 4, 1978. Amendment Eff. March 1, 2016*

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1 04 NCAC 06C .1204 "is amended as published in 30:09 NCR 982. As follows:"

2 **04 NCAC 06C .1204 FEDERAL FUNDS**

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4 A credit union may invest in federal funds through ~~a bank located in North Carolina and any bank insured by F.D.I.C.~~
5 any federally-insured financial institution.

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7 *History Note: Authority G.S. 54-109.21 (8); 54-109.21 (25);*

8 *Eff. May 15, 1981;*

9 *Amended Eff. October 1, 1983.*

10 *Amended Eff. March 1, 2016*

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