



DCU BULLETIN

Division of Credit Unions

Washington State Department of Financial Institutions

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02

No. B-06-

Division Begins Process to Adopt Rules Implementing RCW 31.12.408

The Department of Financial Institutions (“Department”) has been approached by several credit union executives and the Washington Credit Union League to inquire about credit union shares and deposits in Washington becoming insured by a private insurer. RCW 31.12.408 allows credit unions shares and deposits to be insured under an insurance program that is equivalent to the federal share insurance program. An equivalent share insurance program is defined as one that: “(a) holds reserves proportionally equal to the federal share insurance program; (b) maintains adequate reserves and access to additional sources of funds through replenishment features, reinsurance, or other sources of funds; and (c) has share insurance contracts that reflect a national geographic diversity.”

As part of the statutory process under RCW 31.12.408, the Director of The Department of Financial Institutions must hold a public hearing and make a finding that the alternative share insurance meets the standards set forth above. That finding must then be reported to the appropriate House and Senate committees.

As a first step in this process, the Department has filed the attached CR-101 to notify all interested parties that it intends to begin the process of defining the terms in RCW 31.12.408, setting forth the requirements for credit unions that want to insure privately, and identifying the requirements for the private share insurer. Interested parties can participate in this rulemaking process by contacting either:

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PREPROPOSAL STATEMENT OF INQUIRY

CR-101 (June 2004)
(Implements RCW 34.05.310)
Do **NOT** use for expedited rule making

Agency: Department of Financial Institutions

Subject of possible rule making: Rules interpreting the definition of "equivalent share insurance program" under RCW 31.12.408, rules describing the requirements for credit unions that want to insure under an equivalent share insurance program, and rules setting forth the requirements for the private share insurer.

Statutes authorizing the agency to adopt rules on this subject: RCW 31.12.516 (2)

Reasons why rules on this subject may be needed and what they might accomplish: In the event an equivalent share insurance program seeks permission to offer private share insurance to state-chartered credit unions, the Department needs rules to define the meaning of (a) Holds reserves proportionately equal to the federal share insurance program, (b) maintains adequate reserves and access to additional sources of funds through replenishment features, reinsurance, or other sources of funds; and (c) has share insurance contracts that reflect a national geographic diversity. The Department also needs rules describing the requirements for a credit union wanting to insure its shares privately and rules setting forth requirements that a private share insurance program would have to follow to be acceptable to the Department of Financial Institutions.

Identify other federal and state agencies that regulate this subject and the process coordinating the rule with these agencies:
There are no other federal or state agencies that regulate this subject.

Process for developing new rule (check all that apply):

- Negotiated rule making
- Pilot rule making
- Agency study
- Other (describe) We will be working with stakeholders to develop our rules.

How interested parties can participate in the decision to adopt the new rule and formulation of the proposed rule before publication:

Contact Persons:

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Meetings will be set up during the rulemaking process to solicit interested party input both in person and electronically through the Agency's website at www.dfi.wa.gov.

(List names, addresses, telephone, fax numbers, and e-mail of persons to contact; describe meetings, other exchanges of information, etc.)

DATE
06/30/06

NAME (TYPE OR PRINT)
Deborah Bortner

SIGNATURE

TITLE
Regulatory Counsel Department of Financial Institutions

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