

April 20, 1998

To: Opinion File

From: Linda K. Jekel
Program Manager

Subject: Signature guarantee program

Opinion no.: O-98-5

Requirements for Signature Guarantee Program

Authority

Washington state chartered credit unions (credit unions) have the power to offer signature guarantees to their members under the incidental powers provision of RCW 31.12.402 (23).

Compliance

Credit unions offering signature guarantees to their members must be in compliance with RCW 62A.8.306 and other applicable state and federal laws.

Legal Opinion

Credit unions offering signatures guarantees must obtain written legal advice as to whether the credit union has taken reasonable measures to limit its potential exposure from its signature guarantee program.

Policies and Procedures

The board must adopt written policies and procedures and review them at least annually. The policies and procedures, at a minimum, must:

1. Restrict signature guarantees to the credit union's members only;
2. Require the credit union to maintain bond coverage for signature guarantees, such as the Securities Transfer Agents Medallion Program (STAMP);
3. Limit the maximum individual signature guarantee to 15% of the credit union's net capital or the signature guarantee surety bond limit (whichever is less);
4. Provide qualifications and experience of personnel involved in making signature guarantees;
5. Instruct how to determine whether the signature is genuine, the signer is the appropriate person, and the signer has the legal capacity to sign; and
6. Require the credit union to verify compliance through their annual audit conducted by the supervisory committee, internal auditor, or outside auditor.