

secured by an interest in real property and issuing multiple classes of interests in the underlying mortgages.

Repurchase transaction means a transaction in which a corporate credit union agrees to purchase a security from a counterpart and to resell the same or any identical security to that counterpart at a later date.

Residual interest means the remainder cash flows from a CMO or REMIC transaction after payments due bondholders and trust administrative expenses have been satisfied.

Reverse repurchase transaction means a transaction whereby a corporate credit union agrees to sell a security to a purchaser and to repurchase the same or any identical security from that purchaser at a future date and at a specified price.

Risk-weighted assets means the sum of total balance sheet assets and off-balance sheet credit equivalent amounts multiplied by their appropriate risk weights.

Secondary capital share account. (1) Secondary capital share account means a share account that:

(i) Is restricted to credit unions within a corporate credit union's field of membership;

(ii) Is not subject to share insurance coverage by the NCUSIF or other deposit insurer;

(iii) Is established, at a minimum, as a two year notice account;

(iv) Cannot be used by member credit unions to collateralize borrowings;

(v) Is available to absorb losses in the event of a deficit in primary capital in the corporate credit union; and

(vi) In the event of liquidation of the corporate credit union, is payable only after satisfaction of all liabilities of the liquidation estate including uninsured obligations to shareholders and the NCUSIF.

(2) Notwithstanding the notice requirement, in the case of a member credit union's merger or liquidation, a corporate credit union shall return the member's secondary capital shares, less any penalty for early withdrawal, within 30 days of written notification from NCUA.

(3) The terms and conditions of secondary capital share accounts must be disclosed at the time an account is opened. The board of directors of the member credit union must acknowledge those terms and conditions by signing a disclosure form. A copy of the disclosure form must be given to the member credit union, with the original retained by the corporate credit union. A statement of the terms and conditions of a secondary capital share account must be provided to member credit

unions annually. The annual disclosure statement must be signed by the chairman of the board of the corporate credit union.

Section 107(8) institution means an institution described in Section 107(8) of the Federal Credit Union Act (12 U.S.C. 1757(8)).

Senior management employee means the corporate credit union's chief executive officer, any assistant chief executive officer (e.g., any assistant president, any vice president or any assistant treasurer/manager) and the chief financial officer (controller).

Settlement date means the date originally agreed to by a corporate credit union and a counterpart for settlement of the purchase or sale of a security.

Short sale means the sale of a security not owned by the seller.

Short-term investment means, for the purpose of issue ratings, an investment that has an initial maturity, or expected maturity, of one year or less.

Standby commitment means a commitment to either buy or sell a security, on or before a future date, at a predetermined price. The seller of the commitment is the party receiving payment for assuming the risk associated with committing either to purchase a security in the future at a predetermined price, or to sell a security in the future at a predetermined price. The seller of the commitment is required to either accept delivery of a security (in the case of a commitment to buy) or make delivery of a security (in the case of a commitment to sell), in either case at the option of the buyer of the commitment.

Stripped mortgage-backed security (SMBS) means a security that represents either the principal or interest only portion of the cash flows of an underlying pool of mortgages.

Swap agreement means a contract to exchange interest payments that are based upon a specified dollar amount (the "notional") at specified dates in the future.

Trade association means an association of organizations or persons formed to promote their common interests. The term includes entities owned or controlled directly or indirectly by such an association but does not include credit unions.

Trade date means the date a corporate credit union originally agrees, whether orally or in writing, to enter into the purchase or sale of a security.

Undivided earnings means all forms of retained earnings, except:

(1) Regular or statutory reserves; and

(2) Valuation allowances established to meet the full and fair disclosure requirements of § 702.3 of this chapter.

United States depository institutions means offices or branches (foreign and domestic) of federally insured banks and depository institutions chartered and headquartered in the United States, Puerto Rico, and U.S. territories and possessions. This includes banks, mutual or stock savings banks, savings or building and loan associations, cooperative banks, credit unions, international banking facilities of domestic depository institutions, and U.S. chartered depository institutions owned by entities outside of the United States.

United States Government or its agencies means the United States Government or instrumentalities of the United States whose debt obligations are fully and explicitly guaranteed as to the timely payment of principal and interest by the full faith and credit of the United States Government.

United States Government-sponsored corporations and enterprises means agencies originally established or chartered to serve public purposes specified by Congress, but whose obligations are not explicitly guaranteed by the full faith and credit of the United States Government.

Wholesale corporate credit union means a corporate credit union that serves other corporate credit unions.

Zero coupon bond means a debt obligation that makes no periodic interest payments but instead is sold at a discount from its face value. The holder of a zero coupon bond realizes the rate of return through the gradual appreciation of the security, which is redeemed at face value on a specified maturity date.

§ 704.3 Planning; strategic and business plans.

(a) The board of directors of a corporate credit union shall adopt a written strategic plan with appropriate objectives and goals. This plan will be reviewed periodically during the year to determine that the goals are being accomplished. At least annually, the strategic plan will be reviewed and updated. These reviews will be documented in writing and provided upon request to the auditor, supervisory committee, and NCUA.

(b) A written business plan will be prepared for any material expenditure in fixed assets, new products and services, or investments in a CSO and/or for any planned field of membership expansion. Such plans shall be provided upon request to the auditor, supervisory committee, and NCUA.