CONCISE EXPLANATORY STATEMENT

 Banking Regulation 4 – CREDIT UNION CONVERSION ACT OF 2001

The Department of Business Regulation (“Department”) hereby adopts Banking Regulation 4 (“Regulation”) effective April 30, 2008 and makes this statement in accordance with R.I. Gen. Laws § 42-35-2.3. The purpose of this Regulation is to set forth procedures to carry out the provisions of R. I. Gen. Laws § 19-5.1-1 et seq. entitled Credit Union Conversion Act of 2001 (the “Act”) and to protect and preserve the interests and rights of members of a converting Credit Union. This Regulation establishes procedures, requirements, and options for the conversion of Credit Unions into other forms of Financial Institutions under the provisions of the Act or financial services entities chartered under the laws of the United States. The actions and information required by this Regulation are hereby declared to be necessary and appropriate to the public interest. Nothing contained in this Regulation shall limit the ability and authority of the Director to consider other information in determining whether or not to approve an application of a Credit Union to convert into another form of Financial Institution.

There are numerous differences between the text of the proposed regulation as published in accordance with R.I. Gen. Laws § 42-35-3 and the regulation as adopted. The changes to the regulation are delineated in the attached redlined document that delineates all changes between the proposed regulation and the regulation as adopted. There were editing changes made to improve content for readability, capitalization of all defined terms, outlining changes, formatting changes, and other self-explanatory amendments. The material, substantive changes are set forth with references to respective Sections of the adopted Banking Regulation 4 as follows:

1. Section 4(A)(ii): "If applicable" was inserted before "Demonstration" as part of the conversion process, a credit union may be converting into a federally chartered entity and therefore, compliance with R.I. Gen. Laws § 19-2-1 et seq. would not be applicable.

2. Section 4(A)(iii): "initiation of any process related to the conversion" was changed to "the membership meeting and vote of the Eligible Members" because the phrase “initiation of any process related to the conversion” may include any preliminary review, analysis, or action that could be construed to trigger the filing of the plan of conversion and application prior to the credit union analyzing the options or the credit union board of directors approving the conversion.
3. Section 4(A)(iv): “qualified members” was changed to "Eligible Member" for clarity and consistency purposed because “qualified member” was not a defined term and “Eligible Member” is defined.

4. Section 4(E)(ii): "provided to" was changed to "made available" to be consistent with Section 4C and to save unnecessary costs for copying and mailing.

5. Section 4E(iii): was added to clarify that the disclosures be made in plain language because the transactions at issue are complex, the fundamental nature and of the institution is being proposed to be changed, and, the ownership and benefit rights may be at risk. Therefore, the plain language requirement assists by promoting understanding and comprehension by credit union members.