



NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20456

LS/YG:DL  
SSIC 4660

AUG 01 1985

Mr. William A. Sechkar  
Prudential-Bache Securities, Inc.  
1900 East 9th Street, 25th Floor  
Cleveland, Ohio 44114

Dear Mr. Sechkar:

This responds to your letter dated June 28, 1985, to this Office concerning the permissibility of Federal credit union (FCU) investment in the Prudential-Bache ~~Government Securities~~ Trust (Intermediate Term Series) (Trust), Prospectus dated March 30, 1984.

Sections 107(7) and 107(8) of the Federal Credit Union Act (12 U.S.C. §§1757(7) and (8)) and Section 703 of the NCUA Rules and Regulations (12 C.F.R. Part 703) are the pertinent provisions of Federal law regulating FCU investments and deposits. Although not expressly stated in these provisions, we have previously opined that investments in mutual funds or trusts are legal for FCU's if all of the investments and investment practices of the fund or trust are legal if made directly by an FCU.

According to the Prospectus, the Trust invests primarily in U.S. Treasury Securities which are backed by the full faith and credit of the United States and obligations of wholly-owned U.S. Government corporations and as such is permissible for direct investment by FCU's. However, the Trust also engages in repurchase and when-issued or delayed delivery transactions. The Prospectus does not provide sufficient information to determine whether those transactions comply with our regulatory restrictions. Therefore, until such time as the Prospectus is clarified so as to make it clear that the Trust is in conformance with the FCU Act and NCUA Rules and Regulations, it is our opinion that it is not a permissible investment for FCU's.

We have enclosed a copy of Part 703 of the NCUA Rules and Regulations for your information.

Sincerely,

STEVEN R. BISKER  
Assistant General Counsel

FOIA  
Vol. I, Part E.1

Enclosure