



NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20456

GC/YG:cch

4660

January 22, 1986

OFFICE OF GENERAL COUNSEL

Mr. Myron E. Smith  
Assistant Vice President  
E. F. Hutton & Company  
459 South Main  
Plymouth, MI 48170

Dear Mr. Smith:

Your letter (with enclosure) (copies enclosed) dated December, 1985, concerning the Putnam U.S. Government Guaranteed Securities Income Trust (Putnam Trust) has recently come to our attention. As more fully discussed below, we find that letter to be misleading.

The manner in which you quote language from our opinion letter to Karen Rahnasto ("I would like to suggest an investment opportunity that your own National Credit Union Administration has deemed a 'permissible investment for FCU's.'") implies that we have endorsed the Putnam Trust, in spite of our express statements to the contrary:

". . .it is our opinion that the Trust is a permissible investment for FCU's. This should not be interpreted or represented as NCUA's endorsement, recommendation, or approval of the Trust. It is merely our opinion that the Trust is legal for FCU's. . . . Any communication with FCU's concerning our opinion must clearly state this distinction." (Emphasis added.)

It appears you may have overlooked the above language. We trust you will conform future correspondence concerning the Putnam Trust with the above conditions.

Sincerely,

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STEVEN R. BISKER  
Assistant General Counsel

YG:cch

Enclosure

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459 South Main  
Plymouth Michigan 48170  
Telephone (313) 455-8500

December, 1985

TO: The Chairman of Investment Committee

In your capacity as investment manager for your Federal Credit Union, have you been concerned about the yields you've been receiving lately from your CD's or overnight funds? If the answer is "yes," I would like to suggest an investment opportunity that your own National Credit Union Administration has deemed "a permissible investment for (Federal Credit Unions) FCU's." In fact, I thought you yourself might be interested in seeing that language yourself in black and white. It's on page 2 of the enclosed letter.

The investment the NCUA is referring to is PUTNAM U.S. GOVERNMENT GUARANTEED SECURITIES INCOME TRUST: This is an investment for the Federal Credit Union that wants high current income from a portfolio of securities backed by the U.S. Government. Putnam U.S. offers these features:

- MONTHLY INCOME. Your Credit Union may take monthly dividends in cash or reinvest them in additional shares at no charge to compound your investment\*.
  - AN EXTRA DEGREE OF SAFETY. U.S. Government securities have the highest credit rating available.
  - PUTNAM U.S. KEEPS THE RECORDS. As Credit Union investment manager, you do not have to be concerned with maturity dates, or timing the investment roll-over. Accounting is easier at tax-time too, thanks to Putnam U.S.'s simple tax reporting statement.
  - READY LIQUIDITY. Your Credit Union's money is never "locked in" to the investment. You may redeem shares at any time at the then current net asset value.
  - ACTIVE, PROFESSIONAL PUTNAM MANAGEMENT. Boston-based Putnam founded in 1937, supervises more than \$9.6 billion in more than 20 publicly offered U.S. mutual funds.
- \* The principal value of investments in the fund and their distributions will vary, while the value and return of CD's are fixed at the time of purchase.

To learn more about this exciting investment opportunity, please call me at 455-8500 or 1-800-554-3483. I will be happy to send you a brochure which more fully describes the features and benefits of Putnam U.S. I will also send you a prospectus which contains more complete information about the fund, including sales charges and expenses.

Sincerely,

Myron E. Smith  
Assistant Vice President

MES:bjv

Enclosure

THE INFORMATION SET FORTH WAS OBTAINED FROM SOURCES WHICH WE BELIEVE RELIABLE. BUT WE DO NOT GUARANTEE ITS ACCURACY. NEITHER THE INFORMATION NOR ANY OPINION EXPRESSED CONSTITUTES A SOLICITATION BY US OF THE PURCHASE OR SALE OF ANY SECURITIES OR COMMODITIES.



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LS/HMU:cch  
4660  
August 8, 1985

Karen L. Rahnasto, Esq.  
Vice President and Senior Attorney  
The Putnam Management Company, Inc.  
One Post Office Square  
Boston, MA 02109

Dear Ms. Rahnasto:

This is in response to your recent telephone conversations with and letter of July 16, 1985, to Hattie Ulan of this Office, concerning the permissibility of Federal credit union (FCU) investment in the Putnam U.S. Government Guaranteed Securities Income Trust (Trust), prospectus dated April 1, 1985.

Sections 107(7) and (8) of the Federal Credit Union Act (12 U.S.C. §§1757(7) and (8)) and Part 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 stated that investments in mutual funds or trusts are permissible for FCU's if all of the investments and investment practices of the fund or trust are permissible if made directly by the FCU.

According to the prospectus, the Trust may enter into repurchase agreements. Repurchase agreements that are not entered into with members of the FCU or with those financial institutions specified in Section 703.2 of the Rules and Regulations must be investment-type repurchase agreements in compliance with Sections 703.2(1)(1) and 703.3(d) of the NCUA Rules and Regulations. These requirements are met if the Trust is in compliance with the Investment Company Act of 1940, and the regulations and interpretations (Investment Act) issued pursuant thereto, provided the Trust does not enter into repurchase agreements with its own custodian. According to your conversation with Ms. Ulan, the Trust is a registered management company subject to the Investment Act. The Investment Act requires a registered management company to take actual possession of securities, or use of a custodian with certain restrictions, or use of the book entry system when it is involved in repurchase agreements. According to your July 16 letter, the Trust does not engage in repurchase agreements with its own custodian. Hence, it is our opinion that our regulatory requirements are satisfied provided the Trust is in compliance with the Investment Act.



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We also had some concern with language on page seven of the prospectus under the heading "Limiting investment risk." Although page five of the prospectus states that all Trust securities are backed by the full faith and credit of the United States, page seven indicates that there might be some investment in private industries and companies that may not be backed by the full faith and credit of the United States. You made clear in your conversation with Mr. Ulan that the language on page seven of the prospectus is for the purpose of compliance with certain state regulatory requirements and that the Trust only invests in securities backed by the full faith and credit of the United States government as noted on page 3 of the prospectus.

Based on the above, it is our opinion that the Trust is a permissible investment for FCU's. This should not be interpreted or represented as NCUA's endorsement, recommendation, or approval of the Trust. It is merely our opinion that the Trust is legal for FCU's if the above conditions are met. [REDACTED] with FCU's concerning our opinion must clearly state this distinction.

Thank you for your cooperation in this matter. We hope that we have been of assistance.

Sincerely,

STEVEN R. BISKER  
Assistant General Counsel