



NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20456

OFFICE OF GENERAL COUNSEL

Mr. Thomas P. Zucosky
Vice President
AEGIS Capital Management Corp.
100 Park Avenue, Suite 2502
New York, NY 10017

Dear Mr. Zucosky:

This is in response to your letter of December 12, 1985, to Ms. Yvonne Gilmore of this Office concerning the permissibility of Federal credit union (FCU) participation in the AEGIS Capital Management U.S. Government Securities Program (AEGIS).

Two issues must be addressed in order to determine whether the program is permissible for FCU's. First, all of the investments and investment activities in which AEGIS engages must be permissible for FCU's. Second, it must be determined whether the delegation of investment authority by an FCU to AEGIS is permissible.

As you may know, Sections 107(7) and (8) of the FCU Act (12 U.S.C. §§1757(7) and (8)) and Part 703 of the NCUA Rules and Regulations (12 C.F.R. §703) are the pertinent provisions of Federal law regulating FCU investments and deposits. Under the terms of the Investment Management Agreement you provided to us, AEGIS will: (1) invest exclusively in U.S. Treasury bills and notes; and (2) not engage in the purchase or sale of futures or options nor will it be involved in any other activity that is either limited or prohibited by the FCU Act or the NCUA Rules and Regulations. Inasmuch as the AEGIS invests exclusively in U.S. Treasury bills and notes, it is our opinion that such investments are permissible for FCU's.

The remaining issue is whether it is permissible for an FCU to enter into an arrangement whereby it delegates its investment decisions (or at least a part of such decisions) to an investment advisor (AEGIS).

AEGIS will assume the powers and responsibilities pertaining to the investment, reinvestment, and management of assets that an FCU places with a named third-party custodian. AEGIS will not take possession of the assets, but it will be appointed as the

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