

GOODWIN, PROCTER & HOAR

(A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS)

COUNSELLORS AT LAW

EXCHANGE PLACE

BOSTON, MASSACHUSETTS 02109

TELEPHONE (617) 570-1000

TELECOPIER (617) 523-1231

TELEX 94-0640

CABLE: GOODPROCT, BOSTON

June 17, 1986

Stephen R. Bisker
Assistant General Counsel
National Credit Union Administration
1776 G Street, N.W.
Washington, DC 20456

GC/46:sg
4660
August 15, 1986

RE: Tucker Anthony Mutual Fund/Government Securities Fund

Dear Mr. Bisker:

The purpose of this letter is to request your opinion as to whether a federally chartered credit union may invest its assets in the Government Securities Fund, one of two series of the Tucker Anthony Mutual Fund. A copy of the current prospectus for the Tucker Anthony Mutual Fund is enclosed for your reference.

I understand from a recent telephone conversation with Ms. Hattie Ulan of your office, that the National Credit Union Administration ("NCUA") has for the last several years issued such opinion letters to counsel representing registered investment companies. The issuance of these opinion letters has typically been preceded by counsel's analysis of applicable sections of the Federal Credit Union Act, as amended, 12 U.S.C. §§1751 et seq., and any applicable rules and regulations issued by NCUA, and by counsel's conclusion that the securities in which the investment company may invest may be purchased directly by the federally chartered credit union. Thus, I outline for you below our analysis and conclusion that the securities in which the Government Securities Fund may invest are the same type of securities in which a federally chartered credit union may invest directly.

It may be useful to your analysis to also note that the Tucker Anthony Mutual Fund is organized as a Massachusetts Business Trust. In this structure, each holder of the Government Securities Fund's units possesses an equal proportionate interest in the Fund with each other such holder and is entitled, upon any liquidation of the Fund, to share pro rata in the net assets belonging to the Fund available for distribution. Accordingly, what a federally chartered credit union would acquire through an investment of its assets in the Gov-

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ernment Securities Fund would be the functional equivalent of a direct ownership interest in the Fund's portfolio securities.

The enclosed Tucker Anthony Mutual Fund prospectus describes on Page 3 those securities in which the Government Securities Fund may invest. The Fund "may invest in U.S. Treasury Securities, U.S. Government agency securities, and repurchase agreements with respect to which the underlying securities are in those two categories." U.S. Government agency securities may include, without limitation, securities issued by the Government National Mortgage Association, Federal Home Loan Banks and the Federal National Mortgage Association. With respect to repurchase agreements entered into by the Government Securities Fund, the prospectus provides such transactions are "characterized as an investment under which the purchaser (i.e., the Fund) acquires ownership of the obligation (debt security) and the seller agrees, at the time of the sale, to repurchase the obligation at a mutually agreed upon time and price, thereby determining the yield during the purchaser's holding period." In connection with any such repurchase agreement, the securities collateralizing such an agreement will be physically held by the Fund's Custodian or will be recorded with the Fund as the owner through the Federal Reserve book-entry system.

The three types of securities in which assets of the Government Securities Fund may be invested -- U.S. Treasury securities, U.S. Government agency securities and repurchase agreements -- fit squarely within the types of securities in which federally chartered credit unions may invest directly. With regard to U.S. Treasury securities, Title 12 U.S.C. §1757 (7)(B) provides that a Federal credit union may invest its funds in "obligations of the United States of America, or securities fully guaranteed as to principal and interest thereby." Since U.S. Treasury securities are obligations of the United States of America, Federal credit unions may invest in such securities directly.

A Federal credit union may also invest directly in U.S. Government agency securities. Title 12 U.S.C. §1757(7)(E) provides, in pertinent part, that a Federal credit union may invest its funds in "obligations issued by . . . Federal home loan banks, the Federal Home Loan Bank Board, . . . ; or in obligations, participations, or other instruments of or issued by, or fully guaranteed as to principal and interest by, the Federal National Mortgage Association or the Government

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National Mortgage Association; . . . or in obligations, participations, securities, or other instruments of, or issued by, or fully guaranteed as to principal and interest by any other agency of the United States. . . ." Each of the U.S. Government agency securities which may be purchased by the Government Securities Fund are included within this language of §1757(7)(E).

Finally, NCUA's regulations allow Federal credit unions to purchase the same type of repurchase agreements in which the Government Securities Fund will engage. At 12 CFR 703.3(d), Federal credit unions are authorized to enter into "an investment-type repurchase transaction . . . provided the purchase price of the security obtained in the transaction is at or below the market price." An "investment-type repurchase transaction" is defined at 12 CFR 703.2(1)(1) to mean "a repurchase transaction where the Federal credit union purchasing the security takes physical possession of the security, or receives written confirmation of the purchase and a custodial or safe-keeping receipt from a third party under a written bailment for hire contract, or is recorded as the owner of the security through the Federal Reserve Book-Entry System." As described above, the repurchase agreements to be engaged in by the Government Securities Fund will be investment-type repurchase transactions as defined by NCUA's regulations.

If I can provide you with any further information necessary to your issuance of your opinion letter, please do not hesitate to contact me at (617) 570-1230.

Very truly yours,

Thomas A. Ealy

Thomas A. Ealy


cc: Hattie Ulan, Esq.
Richard P. Farren
Edward T. O'Dell, Jr., P.C.
Hugh A. Dunlap, Jr.

VS-3810/n
/17/86.

The following investment, TUCKER ANTHONY
The Government Securities
Fund prospectus dated 5/1/86
is a LEGAL investment for FCU's.

NOT LEGAL -- not in compliance with:
_____ § _____
_____ § _____

Other _____

 *St. Bisker - 8/15/86*
STEVEN R. BISKER
Assistant General Counsel