

**BANKERS SYSTEMS
FINANCIAL SERVICES, INC.**
P.O. BOX 97, ST. CLOUD, MINNESOTA 56302
PHONE: 612-251-3060



July 31, 1986

GC/SRB:sg
4660
8/15/86

Steven R. Bisker
Assistant General Counsel
National Credit Union Administration
Washington, D.C. 20456

Re: May federal credit unions invest in shares of Bankers Systems Granit
Government Securities Fund, Inc.?

Dear Mr. Bisker:

I am one of the counsel for Bankers Systems Granit Government Securities Fund, Inc. ("the Fund"), which is a registered open-end investment company. My client and I believe that shares of the Fund are eligible investments for federal credit unions, and we seek an opinion from your office affirming this position.

I understand that a federal credit union may invest in a mutual fund which limits its investments to those permitted federal credit unions. On my reading of sections 107 and 703 of the Federal Credit Union Act ("the Act"), I believe the Fund so limits its investments.

The Fund invests exclusively in securities issued or guaranteed as to principal and interest by the United States Government and its agencies or instrumentalities, and in repurchase agreements pertaining to such securities. The Fund's investment policies are set out on pages 16-18 of the enclosed combined prospectus.

The third and fourth paragraphs of the Fund's statement of investment policies permit it to purchase direct obligations of the United States Treasury and other obligations issued or guaranteed as to principal and interest by agencies of the United States Government. Such investments are authorized for federal credit unions by sections 107(7)(B) and 107(7)(E) of the Act.

The fifth paragraph describes contracts to purchase new issues of United States Government securities on a when-issued basis. Such contracts are permitted federal credit unions by section 703.3(a) of the Act.

The sixth paragraph authorizes Fund investment in repurchase agreements pertaining to the types of government securities previously described. The conditions imposed on repurchase agreements by section 703.3(d) of the Act will be met in the Fund's repurchase transactions because the SEC imposes parallel restrictions on the Fund.

From the foregoing, it appears to me that all of the Fund's investments are of the type which are eligible for investment by federal credit unions. I would appreciate receiving an opinion as to whether I have correctly concluded that the fund itself is eligible for investment by federal credit unions. Should you have any questions regarding the Fund or this request, please do not hesitate to contact me at (612) 251-3060, extension 185.

Thank you for your consideration.


Sincerely,

Lance D. Becker

Lance D. Becker
Staff Attorney

/mjs

Enclosure

<input type="checkbox"/>	The following investment, <u>Pinney Systems Grant Co. Securities Fund, Inc.</u> <u>Trusts to dated 7/2/86</u> is a LEGAL investment for FCU's.
<input checked="" type="checkbox"/>	NOT LEGAL -- not in compliance with: <u>12 CFR</u> § <u>703.3(b)(1)</u> § _____
	Other Funds <u>not</u> to invest in <u>Instrument</u>
	<i>[Signature]</i> 8/1/86 STEVEN R. BISKER Assistant General Counsel