



GC/HMU:sg
4660

NATIONAL CREDIT UNION ADMINISTRATION
Washington, D.C. 20456

October 8, 1986

Office of General Counsel

Edward J. Wiles, Jr, Esq.
Vice President and Associate Counsel
Kemper Financial Service, Inc.
120 South LaSalle Street
Chicago, IL 60603

Dear Mr. Wiles:

This is in response to your letters of July 23 and September 9, 1986, concerning the permissibility of Federal credit union (FCU) investment in the Kemper Government Money Market Fund, prospectus dated December 1, 1985, and the Kemper Cash Equivalent Fund, Government Securities Portfolio, prospectus dated December 1, 1985. You have also submitted the Statements of Additional Information for the two Funds, as well as a proposed supplement to the Statements of Additional Information.

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. Part 703) are the pertinent provisions of Federal law governing FCU investments and deposits. Although not expressly stated in these provisions, we have previously stated that investments in a mutual fund or trust 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 prospectuses for the two Funds, they invest in "U.S. Treasury bills, notes, bonds and other obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities and repurchase agreements of such obligations."

As you have discussed in telephone conversations with Hattie Ulan of this Office, the term "instrumentalities" is quite broad and may not meet the requirements of FCU investment authority found in Sections 107(7) and (8) of the FCU Act. In the draft supplement to the Statements of Additional Information submitted with your September letter, you set forth a list of entities whose obligations may be purchased by the Funds. Obligations of all of the entities listed are permissible investments for FCU's pursuant to Sections 107(7) and (8) of the FCU Act. The proposed supplement states further that, if the list is changed, the Fund will provide the shareholders with written notice at least sixty days in advance of any change.

FOTA file. Vol I F 2 - Investment

Edward J. Wiles, Jr, Esq.

Page Two

This supplement, if added to the Statements of Additional Information, will give FCU investors adequate time to divest themselves and come into compliance with the FCU Act and NCUA Rules and Regulations.

If the proposed supplement to the Statements of Additional Information is added, it would be our opinion that the Funds are legal investments for FCU's. Please send us copies when the changes are made.

Our opinion should not be interpreted or represented as NCUA's approval, endorsement or recommendation of the Funds. Any communication with FCU's concerning our opinion must clearly state this distinction.

I hope that we have been of assistance.

Sincerely,



STEVEN R. BISKER
Assistant General Counsel

HMU:sg

THIS IS NOT A RECOMMENDATION BY NCUA