



NATIONAL CREDIT UNION ADMINISTRATION
Washington, D.C. 20456

November 17, 1986

Office of General Counsel

Pamela K. Wesner, CPA
Controller, IBM Rocky Mountain Employees
Federal Credit Union
Accounting Department
2130 N. Main Street, Unit #7
Longmont, Colorado 80501

GC/HMU^{sg}
4660

Dear Ms. Wesner:

This is in response to your letter of August 8, 1986, concerning the permissibility of Federal credit union (FCU) investment in the Franklin U.S. Government Securities Fund and the Franklin Federal Money Fund, as well as the legality of an FCU using Investment Timing Services, Inc.

Enclosed are our most recent opinions on the legality of FCU investment in the two Funds. If you wish an opinion on a more recent prospectus, please submit a copy of the prospectus with a cover letter, preferably written by legal counsel, outlining why you think the fund is a legal FCU investment. I have also enclosed a letter addressing the legality of an FCU participating in a bond timing service. Since you submitted no information on Investment Timing Services, Inc., we can reach no conclusions about the permissibility of the service for FCU's.

I hope that we have been of assistance.

Sincerely,

STEVEN R. BISKER
Assistant General Counsel

HMU:sg

Enclosures

cc: Tom Boutelle
Colorado Credit Union League

FRID 11/17/86

**FRANKLIN
GROUP OF FUNDS**

777 Mariners Island Blvd.
San Mateo, CA 94404
415/570-3000



July 18, 1986

GC/SRB:sg
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July 30, 1986

Hattie Ulan, Esq.
Office of General Counsel
National Credit Union Association
1776 G Street, N.W.
Washington, D.C. 20456

Re: Franklin Custodian Funds, Inc. -
U. S. Government Securities Series

Dear Ms. Ulan:

Enclosed is a copy of the amended Statement of Additional Information for the above-captioned fund which, at page 11, incorporates the language we have been discussing.

We understand that your office will issue a final letter of approval upon receipt of this final document.

Please accept our appreciation for your assistance with this matter.

Sincerely yours,

Sandra Peterson
Legal Assistant

SP:jls

Enclosure

The following investment,
U.S. Gov't. Securities Series of
Franklin Custodian Funds - Prospectus dated
 is a LEGAL investment for FCU's. 2/1/86

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



STEVEN R. BISKER
Assistant General Counsel

This is not a recommendation by NCUA



NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20456

LS/SRB:jm

4660

5/7/84

Deborah R. Gatzek, Esq.
Associate Corporate Counsel
Franklin Distributors, Inc.
P.O. Box 5994
San Mateo, CA 94402

Dear Ms. Gatzek:

This is in response to your letter dated April 27, 1984, to Mr. Todd Okun concerning the Franklin Federal Money Fund ("Fund"). You enclosed a copy of the Fund's Prospectus dated April 1, 1984, and a copy of the General Terms and Conditions of Repurchase Agreement used by the Fund. Specifically, you have asked for our concurrence with your opinion that the Fund is a permissible investment for Federal credit unions.

We have reviewed your analysis, the Prospectus, and the Repurchase Agreement, and concur with your opinion. Inasmuch as the Fund invests exclusively in short term U.S. Government Securities or those issued by its agencies or instrumentalities, which are authorized investments for FCU's pursuant to section 107(7) of the FCU Act (12 U.S.C. § 1757(7)) and in repurchase transactions that meet the requirements of section 703.3(4)(i) of the NCUA rules and regulations (12 C.F.R. § 703.3(4)(i)), the Fund would be a permissible investment for FCU's.

Lastly, we must stress that our comments are not intended as, nor should they be represented in anyway as, a recommendation or endorsement to FCU's of your Fund.

I hope we have been of assistance.

Sincerely,

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ROBERT M. FENNER
Director, Department of Legal Services



NATIONAL CREDIT UNION ADMINISTRATION

Washington, D.C. 20543

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3/4/84

William M. Prifti, Esquire
Ravech, Aronson & Shuman, P.C.
260 Franklin Street
Boston, MA 02110

Dear Mr. Prifti:

This is in response to your letter of January 9, 1986, concerning Bond Timing Service (BTS), a mutual fund timing service. BTS automatically shifts investors' funds between a bond fund and money market fund, depending upon industry conditions. The two funds are the Franklin U.S. Government Series (prospectus dated February 1, 1985) and the Franklin Federal Money Fund (prospectus dated April 1, 1985).

Two issues are presented in your letter. First, is it permissible for a Federal credit union (FCU) to enter into a BTS agreement? Second, are the two Franklin Funds permissible investments for FCU's?

We have previously reviewed the permissibility of a BTS Agreement for FCU's in a letter written to Mr. Paul E. Dorion, dated November 16, 1984 (enclosure 1). The particular BTS agreement was submitted by Mr. Dorion (enclosure 2). The agreement authorizes BTS to move an investor's money between two funds. We determined that the BTS agreement was a permissible investment decision (i.e., decision on the part of an FCU board to invest a certain sum of money in two permissible Funds with BTS making transfer decisions between the two) pursuant to Section 113(6) of the FCU Act (12 U.S.C. §1761b(6)). Section 113(6) authorizes an FCU board of directors to make investment decisions. Inasmuch as you have not provided us with a copy of the BTS Agreement used by your client, we are unable to render an opinion in this case.

As to your question concerning Section 703.3(b) of the NCUA Rules and Regulations (12 C.F.R. §703.3(b)), this Subsection provides that in a cash forward agreement the period of time from the trade date to the settlement date cannot exceed 120 days. The definition of cash forward agreement is found in Section 703.2(d) of the Rules and Regulations. Although we have not received a copy of your BTS agreement, and therefore cannot provide you with a definitive opinion, it does not appear that a cash forward agreement is involved here.

William M. Prifti, Esquire

Page Two

As you will note in our letter to Mr. Dorion, the two funds used in the BTS agreement reviewed in 1984 were the U.S. Government Securities Series of Franklin Custodian Funds (amended prospectus dated August 24, 1983) and the Franklin Federal Money Fund (prospectus dated April 1, 1984). Enclosure (3) is letters from this Office stating that the two funds, as described in the dated prospectuses, are legal FCU investments. In March of 1985, we reviewed the February 1, 1985, prospectus for the U.S. Government Series and deemed it a legal investment for FCU's (enclosure 4). We have not reviewed the April 1, 1985, prospectus for the Franklin Money Market Fund.

The initial review of the April 1, 1985, prospectus should be completed by you. If you wish an opinion from this Office on the legality of this investment for FCU's, please provide us with your opinion as to its legality, with appropriate references to pages in the prospectus and compliance with the requirements of Sections 107(7) and (8) of the FCU Act (12 U.S.C. Sections 1757(7) and (8)) and Part 703 of the NCUA Regulations (12 C.F.R. Part 703)--requirements governing FCU investments. After receiving your opinion, we will provide you with our concurrence or state our reason(s) for nonconcurrence. We should stress, however, that an opinion from this Office is not a prerequisite before an FCU can invest in a particular fund.

In summary, we are unable to provide you with our opinion with respect to your client's BTS agreement. As to the underlying investments, the Franklin U.S. Government Security Series (prospectus dated 2/1/85) is a permissible investment for FCU's. We have not reviewed the April 1, 1985, prospectus for Franklin Federal Money Fund.

Lastly, we should point out that we did not receive the Disclosure Statement which you stated was enclosed with your letter.

We hope that we have been of assistance. If further questions arise, please contact Hattie Ulan of this Office.

Sincerely,

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STEVEN R. BISKER
Assistant General Counsel

Enclosures

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