



NATIONAL CREDIT UNION ADMINISTRATION
Washington, D.C. 20456

March 13, 1987

Office of General Counsel

Thomas A. Russo, Esq.
Cadwalader, Wickersham & Taft
100 Maiden Lane
New York, NY 10038

GC/AMU:39
4693

Dear Mr. Russo:

This is in response to your letter and enclosures concerning the authority for Federal credit unions (FCU's) to offer the INVEST program through their credit union service organizations (CUSO's) to FCU members. We apologize for the delay in our response.

Section 701.27 of the NCUA Rules and Regulations -- "Investments in and Loans to Credit Union Service Organizations" -- is the applicable provision of law relating to the issue before us. One of the permissible services that a CUSO can provide is securities brokerage services (see Section 701.27(d)(5)(ii)). The INVEST program will provide securities brokerage services and hence can be offered by a CUSO. The CUSO will contract with ISFA, the provider of the INVEST program, to provide the securities brokerage services to FCU members. The CUSO is the subscribing institution.

We cannot render any opinion on participating FCU's compliance with the CUSO regulation since no information on the CUSO's themselves was submitted. However, the following are some of the concerns we have based on the information and materials provided.

One potential problem is the "dual employees" referred to in your letter and enclosures. Your letter states that the INVEST center will be staffed by individuals who are dual employees of ISFA and a subscribing institution (the CUSO). Section 701.27(d)(6) of the regulation states that an FCU employee cannot be compensated by both the FCU and the CUSO. An individual could be employed by ISFA and the CUSO, however.

An additional concern is that it be made clear to FCU members that the CUSO and ISFA, not the FCU itself, are offering the securities brokerage services. This issue is addressed in the last paragraph of page 2 of your letter and in paragraph 14 of the Agreement for INVEST Subscribers submitted with your letter. These provisions satisfy our concerns.

FOIA#UOI III, C129 - CUSO's

Thomas A. Russo, Esq.

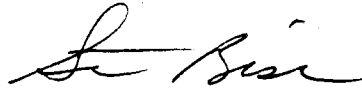
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As noted above, it is our understanding that the subscribing institution is the CUSO rather than the FCU. Your letter and the Agreement are somewhat unclear on this point. This may result from the fact that the Agreement was originally intended for financial institution subscribers (savings and loan associations) rather than CUSO's. It would not be permissible for an FCU to enter into the Agreement as a subscribing institution (e.g., paragraph 9 - Revenue Sharing is not permissible). The Agreement should be clarified so that the CUSO, rather than the FCU, is the subscribing institution.

It should be understood that this letter does not constitute an endorsement of the INVEST program. We offer no opinion on compliance with registration and other requirements of relevant securities laws which are matters under the jurisdiction of the Securities and Exchange Commission and state securities regulators. We also do not offer our opinion as to FCU compliance with the CUSO regulation. We only state that CUSO's may become subscribing institutions with ISFA and offer the INVEST program to members of affiliated FCU's under Section 701.27 of the NCUA Regulations.

I hope that we have been of assistance.

Sincerely,



STEVEN R. BISKER
Assistant General Counsel

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