



NATIONAL CREDIT UNION ADMINISTRATION
Washington, D.C. 20456

May 29, 1987

GCRD:sg
4660

Office of General Counsel

Mr. M.E. Devine
Vice President
AMR Investment Services, Inc.
P.O. Box 619616
Dallas/Forth Worth Airport, Texas 75261-9616

Dear Mr. Devine:

This responds to your letter of March 6, 1987, concerning the power of Federal credit unions (FCU's) to invest in certain securities issued by Canadian subsidiaries of U.S. banks.

As you may know, Sections 107(7) and (8) of the Federal Credit Union 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 regulating FCU investments and deposits.

You request our opinion as to whether it is permissible for FCU's to invest in certificates of deposit, bearer deposit notes, promissory notes and bankers' acceptances issued by Canadian subsidiaries of those U.S. financial institutions which conform with Sections 107(7) and 107(8) of the FCU Act and Part 703 of the NCUA Rules and Regulations. Generally, the financial institutions in which an FCU may deposit its funds are those that are insured by either the Federal Deposit Insurance Corporation (FDIC) or the Federal Savings and Loan Insurance Corporation (FSLIC). You state in your letter that the foreign branches of U.S. financial institutions must convert to Canadian-chartered subsidiaries prior to their participation in the banking reforms now underway in Canada.

The investments you propose would involve the debt obligations of these Canadian-chartered financial institutions. These Canadian chartered institutions would not conform with Section 107(8) of the Federal Credit Union Act since they are not insured by either the FDIC or the FSLIC.

Section 703.3(h) of the NCUA Rules and Regulations would permit an FCU to invest in Eurodollar deposits in a branch (not a subsidiary) of a Section 107(8) institution. The preamble to the change in Section 703.3(h) specifically differentiates between a

FCIA (a) T D + F (2) Investment in Canadian subsidiary

Mr. M. E. Devine

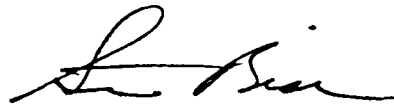
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foreign branch and a foreign subsidiary of a Section 107(8) institution. The NCUA Board's intent was to authorize Eurodollar deposits, but only in foreign branches of parent U.S. banks and only if the parent U.S. bank is one in which the FCU may make a deposit pursuant to Section 107(8) of the FCU Act.

Since the investments you describe involve deposits in foreign subsidiaries of parent U.S. banks, the proposed investment would be impermissible based on the intent of the NCUA Board and the relevant sections of the FCU Act and the NCUA Rules and Regulations.

I hope we have been of assistance.

Sincerely,



STEVEN R. BISKER
Assistant General Counsel

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