



NATIONAL CREDIT UNION ADMINISTRATION  
Washington, D.C. 20456

June 16, 1987

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Office of General Counsel

Mr. Daniel L. Osborn  
Director of Research  
MCG Portfolio Management Corp.  
2361 Campus Drive, Suite 201  
Irvine, California 92715

Dear Mr. Osborn:

This is in reply to your letter dated April 15, 1987, to this Office concerning the permissibility of Federal credit union (FCU) investment in obligations of the World Bank.

The World Bank, officially known as the International Bank for Reconstruction and Development ("BANK"), is an international organization whose capital stock is owned by its 149 member countries, of which the United States is the largest shareholder, owning about 21% of its capital stock and having nearly 20% of the total voting power. The Bank is an instrumentality of its member governments, including the U.S. Government, and the uncalled portion (\$12.6 billion) of the U.S. subscription to the capital of the Bank is an obligation backed by the full faith and credit of the U.S. Government. However, the Bank's securities are not obligations of any shareholder government.

The Bank has the right to call up the (\$12.6 billion) from the U.S. Government but this feature does not make the Bank's obligations backed by the full faith and credit of the U.S. Government.

The statutory investment authority for FCU's is found in Section 107(7) of the Federal Credit Union Act (12 U.S.C. 1757(7)). Section 107(7) permits a Federal credit union to invest in certain enumerated instrumentalities. Investment in any other instrumentality is permissible for FCU's provided the obligations of such instrumentality are fully guaranteed as to

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principal and interest by the U.S. Government or any agency thereof. World Bank obligations are not fully guaranteed as to principal and interest by the U.S. Government or Agency of the U.S. and are, therefore, impermissible investments for FCU's.

I hope we have been of assistance.

Sincerely,



STEVEN R. BISKER  
Assistant General Counsel

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