



NATIONAL CREDIT UNION ADMINISTRATION  
Washington, D.C. 20456

July 10, 1987

GC/JT:sg  
3210

Office of General Counsel

Ms. Virginia Rutledge  
Room 2026  
Main Treasury Building  
15th & Pennsylvania N.W.  
Washington, DC 20220

Dear Ms. Rutledge:

In a prior conversation with Ellen Seidman of your office, we suggested that Section 403.5(d)(1)(iii) of the temporary regulations implementing the Government Securities Act of 1986 be amended to include a reference to the National Credit Union Share Insurance Fund (NCUSIF). This section currently provides that financial institutions (including federally-insured credit unions) must disclose to a counterparty to a repurchase agreement that funds held by the financial institution pursuant to a repurchase agreement are not a deposit and therefore are not insured by the FDIC or FSLIC.

This letter is in response to your request for written confirmation that funds received by a federally-insured credit union pursuant to a reverse repurchase transaction as defined in Section 703.2(m) of the NCUA Rules and Regulations (12 C.F.R. §703.2(m) and as authorized by Section 703.3(e) of the NCUA Rules and Regulations (12 C.F.R. §703.3(e)) are not insured by the NCUSIF. This is a correct statement. The funds held by a federally-insured credit union pursuant to a reverse repurchase transaction are characterized as borrowed funds rather than as a deposit. See Section 703.3(e).

We trust this has been of assistance.

Sincerely,

A handwritten signature in cursive script, appearing to read "S. Bisker".

STEVEN R. BISKER  
Assistant General Counsel

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FOIA Vol. V, H, 8 Govt Securities Act of 1986