



NATIONAL CREDIT UNION ADMINISTRATION
Washington, D.C. 20456

GC/HMU:sg
4660

October 2, 1987

Office of General Counsel

Mr. Elliott R. Miller
Vice President
Renaissance Investment Management, Inc.
3006 Vernon Place
Cincinnati, OH 45219

Dear Mr. Miller:

This is in response to your letter of August 5, 1987, concerning **Federal credit union (FCU) participation in Renaissance Investment Management's various investment programs.**

The determination as to the permissibility of a particular investment program should be made by the FCU, with the advice of counsel. Two legal issues must be addressed in order to determine a program's permissibility.

First, all of the investments and investment activities of a particular investment program must be permissible for FCU's. Second, it must be determined whether the delegation of investment authority by an FCU to an investment management company (such as Renaissance) is permissible.

As you may know, Sections 107(7) and (8) of the FCU 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 provisions of Federal law regulating FCU investments and deposits. All investments and investment transactions of a particular program must comply with these provisions.

Section 113(6) of the FCU Act (12 U.S.C. §1761b(6)) provides that an FCU's board of directors shall have charge of investments. It must be determined that the FCU board has made a proper delegation of its investment authority by entering into an agreement with an investment manager to make certain investment decisions. We have stated in the past that certain investment decisions may be delegated to an investment manager. However, an FCU cannot completely delegate out its investment authority. The board of directors must establish an investment policy and monitor compliance with that policy.

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In addition to the above-addressed legal requirements, an FCU must determine whether or not a particular program suits its individual investment needs.

This letter should not be interpreted as an approval or endorsement of a particular investment program. It is merely a discussion of the issues to be addressed in making a determination on the legality of a particular program.

I hope that we have been of assistance.

Sincerely,

STEVEN R. BISKER
Assistant General Counsel

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