



NATIONAL CREDIT UNION ADMINISTRATION  
Washington, D.C. 20456

GC/HMU:sg  
3500

February 16, 1988

Office of General Counsel

Timothy J. Curry, Esq.  
D'Ancona & Pflaum  
Suite 3100  
CityPlace  
Hartford, CT 06103

Re: Securities brokerage networking with credit unions (Your letter dated January 22, 1988)

Dear Mr. Curry:

A Federal credit union ("FCU") may establish a relationship with a securities brokerage firm in order to offer the firm's securities brokerage services to the FCU's members.

The broker wishes to maintain a service center on the FCU's premises to offer brokerage services to the FCU's members. Section 721.1 of NCUA's Rules and Regulations (12 C.F.R. §721.1) states:

A federal credit union may make insurance and group purchasing plans involving outside vendors available to the membership (including endorsement), and may perform administrative functions on behalf of the vendors.

This provision allows an FCU to contract with a securities firm to make brokerage services available to its members, including having a broker available for service to members at an FCU office.

Though you have not provided details of the planned arrangement, we offer the following additional general guidance. Section 721.2(b)(2) of NCUA's Rules and Regulations limits reimbursement that an FCU may receive from a securities firm to an amount not exceeding the FCU's "cost amount." Section 721.2(a)(2) defines "cost amount" as:

the total of the direct and indirect costs to the Federal credit union of any administrative functions performed on behalf of the vendor. The Federal credit

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union must be able to justify this amount using standard accounting procedures.

Also, as an alternative to providing the services directly, an FCU may offer securities brokerage services to its members through a credit union service organization ("CUSO"). Under Section 701.27 of NCUA's Rules and Regulations [12 C.F.R. §701.27], a CUSO may contract with a securities brokerage firm to offer brokerage services to an FCU's members.

Sincerely,

A handwritten signature in black ink, appearing to read 'Timothy P. McCollum', with a stylized flourish at the end.

TIMOTHY P. MCCOLLUM  
Assistant General Counsel

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