



NATIONAL CREDIT UNION ADMINISTRATION
Washington, D.C. 20456
August 12, 1988

GC/DJS:sg
4675

Office of General Counsel

Sharon Pennell
Vice-President
Marketing One Securities, Inc.
400 S.W. Sixth Avenue
Portland, Oregon 97204

Re: Credit Union Service Organization Participation in
Security Brokerage Services (Your June 28, 1988,
Letter)

Dear Ms. Pennell:

You have asked whether a credit union service organization ("CUSO") can contract with third parties to provide securities-related financial services to its members. Pursuant to Section 701.27 of the NCUA Rules and Regulations [12 C.F.R. §701.27], a CUSO is allowed to enter into an operating agreement to provide securities services. We emphasize that this opinion is not an endorsement of your program; NCUA does not evaluate the investment potential of such products.

FACTS

Your Company proposes to offer its securities services to a Federal credit union ("FCU") which has become a subscriber in the Company's program. The FCU will be required, through its CUSO, to enter into an operating agreement with the Company which will govern the terms of the securities services offered. The CUSO will be able to provide mutual funds, unit investment trusts, variable annuities, variable life insurance, and other investment securities to its customers through the Company.

The operating agreement provides that the Company and the CUSO will jointly hire Company-registered, licensed securities salespeople ("Dual Employees") who will conduct the Company's securities services on a participating FCU's premises. The agreement provides that the CUSO will pay an installation fee of \$7,500 to defray the costs of instituting the program, and the

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CUSO will receive fifty percent of all commissions resulting from securities transactions initiated by the "Dual Employees." Furthermore, the Company agrees to provide the necessary training and ongoing supervision of the "Dual Employees" to assure compliance with applicable insurance and securities laws and regulations.

The "Dual Employees" will take appropriate steps to indicate that the Company's securities service is separate from the activities of the participating institution. When customers fill out a new account agreement, they will be informed, in writing, that the securities services are provided by the Company and that the securities products are not credit union accounts insured by the National Credit Union Share Insurance Fund.

The agreement further provides that the Company will review and approve all advertising of the CUSO regarding securities services to assure that such advertising complies with relevant laws and regulations.

ANALYSIS

The CUSO regulation specifically authorizes a CUSO to provide "securities brokerage services." Section 701.27(d)(5)(ii) of the NCUA Rules and Regulations [12 C.F.R. "701.27(d)(5)(ii) states:

A Federal credit union may invest in and/or loan to those credit union service organizations that provide only one or more of the following services and activities:

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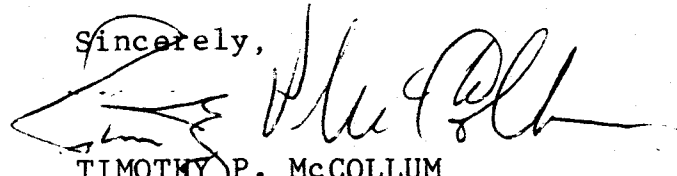
(ii) Financial Services. Financial planning and counseling; retirement counseling; investment counseling; **securities brokerage services**; estate planning; income tax preparation; acting as administrator for prepaid legal service plans; developing and administering IRA, Keogh, deferred compensation, and other personal benefit plans; trust services; acting as trustee, guardian, conservator, estate administrator, or in any other fiduciary capacity; real estate brokerage services; travel agency services; agency for sale of insurance; personal property leasing; and provision of vehicle warranty programs.

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The NCUA Board intended that the term "securities brokerage services" include a full range of securities services. [51 Fed. Reg. 10357 (March 26, 1986).] A CUSO may provide this service directly or by contract with a third party.

Once again, this letter does not constitute an endorsement of your program. Moreover, we offer neither an opinion on the program's compliance with Federal and state securities laws, nor its compliance with Federal franchising disclosure requirements. These are matters under the jurisdiction of the Securities and Exchange Commission, state securities regulators, and the Federal Trade Commission.

Sincerely,



TIMOTHY P. McCOLLUM
Assistant General Counsel

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